

107TH CONGRESS  
1ST SESSION

# H. R. 2392

To amend the Internal Revenue Code of 1986 to provide, expand, or extend tax incentives for renewable and alternative electric energy, alternative fuels and alternative fuel vehicles, energy efficiency and conservation, and demand management and distributive energy generation.

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 2001

Mr. INSLEE (for himself, Mr. SHAYS, Mr. UDALL of Colorado, Mr. WAMP, Mr. BAIRD, Mr. ALLEN, Mr. OLVER, Mr. SMITH of Washington, and Mr. HOLT) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide, expand, or extend tax incentives for renewable and alternative electric energy, alternative fuels and alternative fuel vehicles, energy efficiency and conservation, and demand management and distributive energy generation.

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; REFERENCES; TABLE OF CON-**  
4 **TENTS.**

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

1 (b) AMENDMENT OF 1986 CODE.—Except as other-  
 2 wise expressly provided, whenever in this Act an amend-  
 3 ment or repeal is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered to be made to a section or other provi-  
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—The table of contents of  
 8 this Act is as follows:

Sec. 1. Short title; references; table of contents.

#### TITLE I—RENEWABLE AND ALTERNATIVE ELECTRIC ENERGY

Sec. 101. Five-year extension of qualified facilities for renewable resource credit.

Sec. 102. Expansion of renewable resource credit to include additional alternative resources.

Sec. 103. Tradable renewable resource credit for public utilities and other tax exempt organizations.

#### TITLE II—ALTERNATIVE FUELS AND ENERGY EFFICIENT VEHICLES

Sec. 201. Credit for alternative motor vehicles and modification of credit for qualified electric vehicles.

Sec. 202. Credit for retail sale of alternative fuels as motor vehicle fuel.

Sec. 203. Extension of deduction for certain refueling property.

Sec. 204. Credit for installation of alternative fueling stations.

Sec. 205. Credit for property to convert waste to fuel.

#### TITLE III—ENERGY EFFICIENCY AND CONSERVATION

Sec. 301. Energy-efficient commercial building property deduction.

Sec. 302. Credit for construction of new highly energy-efficient homes.

Sec. 303. Credit for energy efficient appliances.

Sec. 304. Credit for adjustable speed drives.

Sec. 305. Credit for energy efficient recycling or remanufacturing equipment.

#### TITLE IV—DEMAND MANAGEMENT AND DISTRIBUTED ENERGY GENERATION

Sec. 401. Credit for distributed energy generation and demand management property used in business.

Sec. 402. Credit for distributed energy generation and demand management property used in residences.

Sec. 403. Credit for energy management systems using residential real time metering systems.

Sec. 404. Credit for flywheel property.

1 **TITLE I—RENEWABLE AND AL-**  
2 **TERNATIVE ELECTRIC EN-**  
3 **ERGY**

4 **SEC. 101. FIVE-YEAR EXTENSION OF QUALIFIED FACILITIES**  
5 **FOR RENEWABLE RESOURCE CREDIT.**

6 (a) WIND AND POULTRY WASTE FACILITIES.—Sub-  
7 paragraphs (A) and (C) of section 45(c)(3) (relating to  
8 definitions) are each amended by striking “2002” and in-  
9 serting “2007”.

10 (b) CLOSED-LOOP BIOMASS FACILITIES.—Subpara-  
11 graph (B) of section 45(c)(3) is amended to read as fol-  
12 lows:

13 “(B) CLOSED-LOOP BIOMASS FACILITY.—  
14 In the case of a facility using closed-loop bio-  
15 mass to produce electricity, the term ‘qualified  
16 facility’ means any facility owned by the tax-  
17 payer which is originally placed in service—

18 “(i) after December 31, 1992, and be-  
19 fore January 1, 2007, or

20 “(ii) before January 1, 1993, and  
21 modified to use closed-loop biomass to co-  
22 fire with coal after December 31, 1992,  
23 and before January 1, 2007.”.

24 (c) EFFECTIVE DATE.—The amendments made by  
25 this section shall apply to electricity and other energy pro-

1 duced in taxable years beginning after the date of the en-  
 2 actment of this Act.

3 **SEC. 102. EXPANSION OF RENEWABLE RESOURCE CREDIT**  
 4 **TO INCLUDE ADDITIONAL ALTERNATIVE RE-**  
 5 **SOURCES.**

6 (a) IN GENERAL.—Section 45(c)(1) (relating to  
 7 qualified energy resources) is amended by striking “and”  
 8 at the end of subparagraph (B), by striking the period  
 9 at the end of subparagraph (C) and inserting “, and”, and  
 10 by adding at the end the following:

11 “(D) alternative resources.”.

12 (b) DEFINITION OF ALTERNATIVE RESOURCES.—  
 13 Section 45(c) (relating to definitions) is amended by add-  
 14 ing at the end the following:

15 “(5) ALTERNATIVE RESOURCES.—

16 “(A) IN GENERAL.—The term ‘alternative  
 17 resources’ means—

18 “(i) solar,

19 “(ii) biomass (other than closed loop  
 20 biomass),

21 “(iii) incremental hydropower,

22 “(iv) incremental geothermal, and

23 “(v) geothermal energy.

24 “(B) BIOMASS.—The term ‘biomass’  
 25 means any nonhazardous, cellulosic waste mate-

1           rial, which is segregated from other waste mate-  
2           rials, and which is derived from—

3                   “(i) any of the following forest-related  
4                   resources: mill residues, precommercial  
5                   thinnings, slash, and brush, but not includ-  
6                   ing old-growth timber or black liquor,

7                   “(ii) agriculture sources, including or-  
8                   chard tree crops, vineyard, grain, legumes,  
9                   sugar, and other crop by-products or resi-  
10                  dues,

11                  “(iii) waste pallets, crates, dunnage,  
12                  manufacturing and construction wood  
13                  wastes (other than pressure-treated, chemi-  
14                  cally treated, or lead-painted wood wastes),  
15                  and landscape or right-of-way tree trim-  
16                  mings, but not including—

17                   “(I) unsegregated municipal solid  
18                   waste (garbage), or

19                   “(II) postconsumer wastepaper  
20                   which can be recycled affordably,

21                   “(iv) landfill gas, or

22                   “(v) animal waste (other than poultry  
23                   waste).

24                  “(C) INCREMENTAL HYDROPOWER.—The  
25                  term ‘incremental hydropower’ means additional

1 generating capacity achieved from increased ef-  
2 ficiency at a non-Federal hydroelectric facility  
3 in existence on January 1, 2001, and licensed  
4 by the Federal Energy Regulatory Commission.

5 “(D) INCREMENTAL GEOTHERMAL.—The  
6 term ‘incremental geothermal’ means additional  
7 generating capacity achieved from—

8 “(i) increased efficiency, or

9 “(ii) additions of new capacity,

10 at a geothermal power plant originally placed in  
11 service before the date of the enactment of this  
12 paragraph.

13 “(E) LANDFILL GAS.—The term ‘landfill  
14 gas’ means gas generated from the decomposi-  
15 tion of any household solid waste, commercial  
16 solid waste, and industrial solid waste disposed  
17 of in a municipal solid waste landfill unit (as  
18 such terms are defined in regulations promul-  
19 gated under subtitle D of the Solid Waste Dis-  
20 posal Act (42 U.S.C. 6941 et seq.).”.

21 (c) QUALIFIED FACILITY.—

22 (1) IN GENERAL.—Section 45(c)(3) (defining  
23 qualified facility) is amended by adding at the end  
24 the following:

1           “(D) ALTERNATIVE RESOURCES FACIL-  
2           ITY.—In the case of a facility using alternative  
3           resources to produce electricity, the term ‘quali-  
4           fied facility’ means—

5                   “(i) any facility owned by the tax-  
6                   payer which is originally placed in service  
7                   after December 31, 2001, and before Jan-  
8                   uary 1, 2007,

9                   “(ii) in the case of incremental hydro-  
10                  power and incremental geothermal, any fa-  
11                  cility originally placed in service before De-  
12                  cember 31, 2001, and modified with incre-  
13                  mental hydropower or incremental geo-  
14                  thermal after that date and before January  
15                  1, 2007, and

16                  “(iii) in the case of biomass (other  
17                  than closed-loop biomass), any facility  
18                  owned by the taxpayer which is originally  
19                  placed in service before January 1, 2007,  
20                  or any facility modified to use biomass to  
21                  co-fire with coal after December 31, 2001,  
22                  and before January 1, 2007.”.

23           (2) SPECIAL RULE.—Section 45(d) (relating to  
24           definitions and special rules) is amended by adding  
25           at the end the following new paragraph:

1           “(8) SPECIAL RULE RELATING TO BIOMASS FA-  
2           CILITIES.—In the case of a qualified facility de-  
3           scribed in subsection (c)(3)(D)(iii)—

4                   “(A) subsection (b)(3) shall not apply to  
5                   any such facility originally placed in service be-  
6                   fore January 1, 1997, and

7                   “(B) if such facility is leased and the oper-  
8                   ator thereof is the lessee, such lessee (and not  
9                   the owner) shall be treated for purposes of this  
10                  section as owning such facility.”.

11          (d) GOVERNMENT-OWNED FACILITY.—The text and  
12          heading of section 45(d)(6) (relating to credit eligibility  
13          in the case of government-owned facilities using poultry  
14          waste) is amended by inserting “or alternative resources”  
15          after “poultry waste” each place it appears.

16          (e) QUALIFIED FACILITIES WITH CO-PRODUC-  
17          TION.—Section 45(b) (relating to limitations and adjust-  
18          ments) is amended by adding at the end the following:

19                   “(4) INCREASED CREDIT FOR CO-PRODUCTION  
20                  FACILITIES.—

21                   “(A) IN GENERAL.—In the case of a quali-  
22                   fied facility described in subsection (c)(3)(D)  
23                   which has a co-production facility or a qualified  
24                   facility described in subparagraph (A), (B), or  
25                   (C) of subsection (c)(3) which adds a co-pro-



1           duction facility after the date of the enactment  
2           of this paragraph, the amount in effect under  
3           subsection (a)(1) for an eligible taxable year of  
4           the taxpayer shall (after adjustment under  
5           paragraphs (1), (2), and (3)) be increased by  
6           .25 cents.

7           “(B) CO-PRODUCTION FACILITY.—For  
8           purposes of subparagraph (A), the term ‘co-pro-  
9           duction facility’ means a facility which—

10                   “(i) enables a qualified facility to  
11                   produce heat, mechanical power, or min-  
12                   erals from qualified energy resources in ad-  
13                   dition to electricity, and

14                   “(ii) produces such energy on a con-  
15                   tinuous basis.

16           “(C) ELIGIBLE TAXABLE YEAR.—For pur-  
17           poses of subparagraph (A), the term ‘eligible  
18           taxable year’ means any taxable year in which  
19           the amount of gross receipts attributable to the  
20           co-production facility of a qualified facility are  
21           at least 10 percent of the amount of gross re-  
22           ceipts attributable to electricity produced by  
23           such facility.”.

24           (f) QUALIFIED FACILITIES LOCATED WITHIN QUALI-  
25           FIED INDIAN LANDS.—Section 45(b) (relating to limita-

1 tions and adjustments), as amended by subsection (e), is  
 2 amended by adding at the end the following:

3           “(5) INCREASED CREDIT FOR QUALIFIED FA-  
 4           CILITY LOCATED WITHIN QUALIFIED INDIAN  
 5           LAND.—In the case of a qualified facility described  
 6           in subsection (c)(3)(D) which—

7                   “(A) is located within—

8                           “(i) qualified Indian lands (as defined  
 9                           in section 7871(e)(3)), or

10                           “(ii) lands which are held in trust by  
 11                           a Native Corporation (as defined in section  
 12                           3(m) of the Alaska Native Claims Settle-  
 13                           ment Act (43 U.S.C. 1602(m))) for Alaska  
 14                           Natives, and

15                   “(B) is operated with the explicit written  
 16                   approval of the Indian tribal government or Na-  
 17                   tive Corporation (as so defined) having jurisdic-  
 18                   tion over such lands,

19           the amount in effect under subsection (a)(1) for a  
 20           taxable year shall (after adjustment under para-  
 21           graphs (1), (2), (3), and (4)) be increased by .25  
 22           cents.”.

23           (g) ELECTRICITY PRODUCED FROM BIOMASS CO-  
 24           FIRED IN COAL PLANTS.—Paragraph (1) of section 45(a)  
 25           is amended by inserting “(1.0 cents in the case of elec-

1 tricity produced from biomass, other than closed-loop bio-  
2 mass, co-fired in a facility which produced electricity from  
3 coal)” after “1.5 cents”.

4 (h) COORDINATION WITH OTHER CREDITS.—Section  
5 45(d) (relating to definitions and special rules), as amend-  
6 ed by subsection (c), is amended by adding at the end the  
7 following:

8 “(9) COORDINATION WITH OTHER CREDITS.—  
9 This section shall not apply to any qualified facility  
10 with respect to which a credit under any other sec-  
11 tion is allowed for the taxable year unless the tax-  
12 payer elects to waive application of such credit to  
13 such facility.”.

14 (i) TREATMENT OF QUALIFIED FACILITIES NOT IN  
15 COMPLIANCE WITH POLLUTION LAWS.—Section 45(c)(3)  
16 (relating to qualified facilities), as amended by subsection  
17 (c), is amended by adding at the end the following:

18 “(E) NONCOMPLIANCE WITH POLLUTION  
19 LAWS.—For purposes of this paragraph, a facil-  
20 ity which is not in compliance with the applica-  
21 ble State and Federal pollution prevention, con-  
22 trol, and permit requirements for any period of  
23 time shall not be considered to be a qualified  
24 facility during such period.”.

1 (j) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to electricity and other energy pro-  
 3 duced in taxable years beginning after the date of the en-  
 4 actment of this Act.

5 **SEC. 103. TRADABLE RENEWABLE RESOURCE CREDIT FOR**  
 6 **PUBLIC UTILITIES AND OTHER TAX EXEMPT**  
 7 **ORGANIZATIONS.**

8 (a) CREDITS FOR CERTAIN TAX EXEMPT ORGANIZA-  
 9 TIONS AND GOVERNMENTAL UNITS.—

10 (1) IN GENERAL.—Section 45(d) (relating to  
 11 definitions and special rules), as amended by section  
 12 102, is amended by adding at the end the following:

13 “(10) CREDITS FOR CERTAIN TAX EXEMPT OR-  
 14 GANIZATIONS AND GOVERNMENTAL UNITS.—

15 “(A) ALLOWANCE OF CREDIT.—Any credit  
 16 which would be allowable under subsection (a)  
 17 with respect to a qualified facility of an entity  
 18 if such entity were not exempt from tax under  
 19 this chapter shall be treated as a credit allow-  
 20 able under subpart D to such entity if such en-  
 21 tity is—

22 “(i) an organization described in sec-  
 23 tion 501(c)(12)(C) and exempt from tax  
 24 under section 501(a),

1           “(ii) an organization described in sec-  
2           tion 1381(a)(2)(C),

3           “(iii) an entity the income of which is  
4           excludable from gross income under section  
5           115, or

6           “(iv) a State, the District of Colum-  
7           bia, any territory or possession of the  
8           United States, or any political subdivision  
9           thereof.

10          “(B) USE OF CREDIT.—

11           “(i) TRANSFER OF CREDIT.—An enti-  
12           ty described in subparagraph (A) may as-  
13           sign, trade, sell, or otherwise transfer any  
14           credit allowable to such entity under sub-  
15           paragraph (A) to any taxpayer.

16           “(ii) USE OF CREDIT AS AN OFF-  
17           SET.—Notwithstanding any other provision  
18           of law, in the case of an entity described  
19           in clause (i) or (ii) of subparagraph (A),  
20           any credit allowable to such entity under  
21           subparagraph (A) may be applied by such  
22           entity, without penalty, as a prepayment of  
23           any loan, debt, or other obligation the enti-  
24           ty has incurred under subchapter I of  
25           chapter 31 of title 7 of the Rural Elec-

1           trification Act of 1936 (7 U.S.C. 901 et  
2           seq.).

3           “(C) CREDIT NOT INCOME.—Neither a  
4           transfer under clause (i) nor a use under clause  
5           (ii) of subparagraph (B) of any credit allowable  
6           under subparagraph (A) shall result in income  
7           for purposes of section 501(c)(12).

8           “(D) TRANSFER PROCEEDS TREATED AS  
9           ARISING FROM ESSENTIAL GOVERNMENT FUNC-  
10          TION.—Any proceeds derived by an entity de-  
11          scribed in subparagraph (A)(iii) from the trans-  
12          fer of any credit under subparagraph (B)(i)  
13          shall be treated as arising from an essential  
14          government function.

15          “(E) CREDITS NOT REDUCED BY TAX-EX-  
16          EMPT BONDS OR CERTAIN OTHER SUBSIDIES.—  
17          Subsection (b)(3) shall not apply to reduce any  
18          credit allowable under subparagraph (A) with  
19          respect to—

20                 “(i) proceeds described in subpara-  
21                 graph (A)(ii) of such subsection, or

22                 “(ii) any loan, debt, or other obliga-  
23                 tion incurred under subchapter I of chap-  
24                 ter 31 of title 7 of the Rural Electrification  
25                 Act of 1936 (7 U.S.C. 901 et seq.),

1 used to provide financing for any qualified facil-  
2 ity.

3 “(F) TREATMENT OF UNRELATED PER-  
4 SONS.—For purposes of this paragraph, sales  
5 among and between entities described in sub-  
6 paragraph (A) shall be treated as sales between  
7 unrelated parties.”.

8 (2) INCLUSION OF INDIAN TRIBAL GOVERN-  
9 MENTS.—Section 7871(a)(7) is amended by striking  
10 “and” at the end of subparagraph (A), by striking  
11 the period at the end of subparagraph (B), and by  
12 adding at the end the following:

13 “(C) section 45 (relating to credit for elec-  
14 tricity produced from certain renewable re-  
15 sources).”.

16 (b) CREDIT ALLOWABLE AGAINST REGULAR AND  
17 MINIMUM TAX.—

18 (1) IN GENERAL.—Section 38(c) (relating to  
19 limitation based on amount of tax) is amended by  
20 redesignating paragraph (3) as paragraph (4) and  
21 inserting after paragraph (2) the following:

22 “(3) SPECIAL RULES FOR RENEWABLE ELEC-  
23 TRICITY PRODUCTION CREDIT.—

24 “(A) IN GENERAL.—In the case of the re-  
25 newable electricity production credit—

1           “(i) this section and section 39 shall  
2           be applied separately with respect to the  
3           credit, and

4           “(ii) in applying paragraph (1) to the  
5           credit—

6                       “(I) subparagraphs (A) and (B)  
7                       thereof shall not apply, and

8                       “(II) the limitation under para-  
9                       graph (1) (as modified by subclause  
10                      (I)) shall be reduced by the credit al-  
11                      lowed under subsection (a) for the  
12                      taxable year (other than the renewable  
13                      electricity production credit).

14                      “(B) RENEWABLE ELECTRICITY PRODUC-  
15                      TION CREDIT.—For purposes of this subsection,  
16                      the term ‘renewable electricity production cred-  
17                      it’ means the credit allowable under subsection  
18                      (a) by reason of section 45(a).”.

19                      (2) CONFORMING AMENDMENT.—Subclause (II)  
20                      of section 38(c)(2)(A)(ii) is amended by inserting  
21                      “or the renewable electricity production credit” after  
22                      “employment credit”.

23                      (c) EFFECTIVE DATE.—The amendments made by  
24                      this section shall apply to electricity and other energy pro-



1 duced in taxable years beginning after the date of the en-  
 2 actment of this Act.

3 **TITLE II—ALTERNATIVE FUELS**  
 4 **AND ENERGY EFFICIENT VE-**  
 5 **HICLES**

6 **SEC. 201. CREDIT FOR ALTERNATIVE MOTOR VEHICLES**  
 7 **AND MODIFICATION OF CREDIT FOR QUALI-**  
 8 **FIED ELECTRIC VEHICLES.**

9 (a) CREDIT FOR ALTERNATIVE MOTOR VEHICLES.—

10 (1) IN GENERAL.—Subpart B of part IV of  
 11 subchapter A of chapter 1 (relating to foreign tax  
 12 credit, etc.) is amended by adding at the end the fol-  
 13 lowing:

14 **“SEC. 30B. ALTERNATIVE MOTOR VEHICLE CREDIT.**

15 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
 16 lowed as a credit against the tax imposed by this chapter  
 17 for the taxable year an amount equal to the sum of—

18 “(1) the new qualified fuel cell motor vehicle  
 19 credit determined under subsection (b),

20 “(2) the new qualified hybrid motor vehicle  
 21 credit determined under subsection (c), and

22 “(3) the new qualified alternative fuel motor ve-  
 23 hicle credit determined under subsection (d).

24 “(b) NEW QUALIFIED FUEL CELL MOTOR VEHICLE  
 25 CREDIT.—

1           “(1) IN GENERAL.—For purposes of subsection  
2 (a), the new qualified fuel cell motor vehicle credit  
3 determined under this subsection with respect to a  
4 new qualified fuel cell motor vehicle placed in service  
5 by the taxpayer during the taxable year is—

6           “(A) \$4,000, if such vehicle has a gross ve-  
7 hicle weight rating of not more than 8,500  
8 pounds,

9           “(B) \$10,000, if such vehicle has a gross  
10 vehicle weight rating of more than 8,500  
11 pounds but not more than 14,000 pounds,

12           “(C) \$20,000, if such vehicle has a gross  
13 vehicle weight rating of more than 14,000  
14 pounds but not more than 26,000 pounds, and

15           “(D) \$40,000, if such vehicle has a gross  
16 vehicle weight rating of more than 26,000  
17 pounds.

18           “(2) INCREASE FOR FUEL EFFICIENCY.—

19           “(A) IN GENERAL.—The amount deter-  
20 mined under paragraph (1)(A) with respect to  
21 a new qualified fuel cell motor vehicle which is  
22 a passenger automobile or light truck shall be  
23 increased by—

24           “(i) \$1,000, if such vehicle achieves at  
25 least 150 percent but less than 175 per-

1 cent of the 2000 model year city fuel econ-  
2 omy,

3 “(ii) \$1,500, if such vehicle achieves  
4 at least 175 percent but less than 200 per-  
5 cent of the 2000 model year city fuel econ-  
6 omy,

7 “(iii) \$2,000, if such vehicle achieves  
8 at least 200 percent but less than 225 per-  
9 cent of the 2000 model year city fuel econ-  
10 omy,

11 “(iv) \$2,500, if such vehicle achieves  
12 at least 225 percent but less than 250 per-  
13 cent of the 2000 model year city fuel econ-  
14 omy,

15 “(v) \$3,000, if such vehicle achieves  
16 at least 250 percent but less than 275 per-  
17 cent of the 2000 model year city fuel econ-  
18 omy,

19 “(vi) \$3,500, if such vehicle achieves  
20 at least 275 percent but less than 300 per-  
21 cent of the 2000 model year city fuel econ-  
22 omy, and

23 “(vii) \$4,000, if such vehicle achieves  
24 at least 300 percent of the 2000 model  
25 year city fuel economy.

1                   “(B) 2000 MODEL YEAR CITY FUEL ECON-  
 2                   OMY.—For purposes of subparagraph (A), the  
 3                   2000 model year city fuel economy with respect  
 4                   to a vehicle shall be determined in accordance  
 5                   with the following tables:

6                                 “(i) In the case of a passenger auto-  
 7                                 mobile:

<b>“If vehicle inertia weight</b>	<b>The 2000 model year city fuel</b>
<b>class is:</b>	<b>economy is:</b>
1,500 or 1,750 lbs .....	43.7 mpg
2,000 lbs .....	38.3 mpg
2,250 lbs .....	34.1 mpg
2,500 lbs .....	30.7 mpg
2,750 lbs .....	27.9 mpg
3,000 lbs .....	25.6 mpg
3,500 lbs .....	22.0 mpg
4,000 lbs .....	19.3 mpg
4,500 lbs .....	17.2 mpg
5,000 lbs .....	15.5 mpg
5,500 lbs .....	14.1 mpg
6,000 lbs .....	12.9 mpg
6,500 lbs .....	11.9 mpg
7,000 or 8,500 lbs .....	11.1 mpg.

8                                 “(ii) In the case of a light truck:

<b>“If vehicle inertia weight</b>	<b>The 2000 model year city fuel</b>
<b>class is:</b>	<b>economy is:</b>
1,500 or 1,750 lbs .....	37.6 mpg
2,000 lbs .....	33.7 mpg
2,250 lbs .....	30.6 mpg
2,500 lbs .....	28.0 mpg
2,750 lbs .....	25.9 mpg
3,000 lbs .....	24.1 mpg
3,500 lbs .....	21.3 mpg
4,000 lbs .....	19.0 mpg
4,500 lbs .....	17.3 mpg
5,000 lbs .....	15.8 mpg
5,500 lbs .....	14.6 mpg
6,000 lbs .....	13.6 mpg
6,500 lbs .....	12.8 mpg
7,000 or 8,500 lbs .....	12.0 mpg.

9                                 “(C) VEHICLE INERTIA WEIGHT CLASS.—  
 10                   For purposes of subparagraph (B), the term

1           ‘vehicle inertia weight class’ has the same  
2           meaning as when defined in regulations pre-  
3           scribed by the Administrator of the Environ-  
4           mental Protection Agency for purposes of the  
5           administration of title II of the Clean Air Act  
6           (42 U.S.C. 7521 et seq.).

7           “(3) NEW QUALIFIED FUEL CELL MOTOR VEHI-  
8           CLE.—For purposes of this subsection, the term  
9           ‘new qualified fuel cell motor vehicle’ means a motor  
10          vehicle—

11                 “(A) which is propelled by power derived  
12                 from—

13                         “(i) one or more cells which convert  
14                         chemical energy directly into electricity by  
15                         combining oxygen with hydrogen fuel  
16                         which is stored on board the vehicle in any  
17                         form and may or may not require reforma-  
18                         tion prior to use, or

19                         “(ii) one or more cells described in  
20                         clause (i) used in conjunction with a re-  
21                         chargeable energy storage system.

22                 “(B) which, in the case of a passenger  
23                 automobile or light truck—

24                         “(i) for 2002 and later model vehicles,  
25                         has received a certificate of conformity

1 under the Clean Air Act and meets or ex-  
2 ceeds the equivalent qualifying California  
3 low emission vehicle standard under sec-  
4 tion 243(e)(2) of the Clean Air Act for  
5 that make and model year, and

6 “(ii) for 2004 and later model vehi-  
7 cles, has received a certificate that such ve-  
8 hicle meets or exceeds the Bin 5 Tier II  
9 emission level established in regulations  
10 prescribed by the Administrator of the En-  
11 vironmental Protection Agency under sec-  
12 tion 202(i) of the Clean Air Act for that  
13 make and model year vehicle,

14 “(C) the original use of which commences  
15 with the taxpayer,

16 “(D) which is acquired for use or lease by  
17 the taxpayer and not for resale, and

18 “(E) which is made by a manufacturer.

19 “(c) NEW QUALIFIED HYBRID MOTOR VEHICLE  
20 CREDIT.—

21 “(1) IN GENERAL.—For purposes of subsection  
22 (a), the new qualified hybrid motor vehicle credit de-  
23 termined under this subsection with respect to a new  
24 qualified hybrid motor vehicle placed in service by

1 the taxpayer during the taxable year is the credit  
2 amount determined under paragraph (2).

3 “(2) CREDIT AMOUNT.—

4 “(A) IN GENERAL.—The credit amount de-  
5 termined under this paragraph shall be deter-  
6 mined in accordance with the following tables:

7 “(i) In the case of a new qualified hy-  
8 brid motor vehicle which is a passenger  
9 automobile or light truck and which pro-  
10 vides the following percentage of the max-  
11 imum available power:

<b>“If percentage of the maximum available power is:</b>	<b>The credit amount is:</b>
At least 5 percent but less than 10 percent .....	\$250
At least 10 percent but less than 20 percent .....	\$500
At least 20 percent but less than 30 percent .....	\$750
At least 30 percent .....	\$1,000.

12 “(ii) In the case of a new qualified hy-  
13 brid motor vehicle which is a heavy duty  
14 hybrid motor vehicle and which provides  
15 the following percentage of the maximum  
16 available power:

17 “(I) If such vehicle has a gross  
18 vehicle weight rating of not more than  
19 14,000 pounds:

<b>“If percentage of the maximum available power is:</b>	<b>The credit amount is:</b>
At least 20 percent but less than 30 percent .....	\$1,500
At least 30 percent but less than 40 percent .....	\$1,750
At least 40 percent but less than 50 percent .....	\$2,000
At least 50 percent but less than 60 percent .....	\$2,250
At least 60 percent .....	\$2,500.

1                                   “(II) If such vehicle has a gross  
 2                                   vehicle weight rating of more than  
 3                                   14,000 but not more than 26,000  
 4                                   pounds:

<b>“If percentage of the maximum available power is:</b>	<b>The credit amount is:</b>
At least 20 percent but less than 30 percent .....	\$4,000
At least 30 percent but less than 40 percent .....	\$4,500
At least 40 percent but less than 50 percent .....	\$5,000
At least 50 percent but less than 60 percent .....	\$5,500
At least 60 percent .....	\$6,000.

5                                   “(III) If such vehicle has a gross  
 6                                   vehicle weight rating of more than  
 7                                   26,000 pounds:

<b>“If percentage of the maximum available power is:</b>	<b>The credit amount is:</b>
At least 20 percent but less than 30 percent .....	\$6,000
At least 30 percent but less than 40 percent .....	\$7,000
At least 40 percent but less than 50 percent .....	\$8,000
At least 50 percent but less than 60 percent .....	\$9,000
At least 60 percent .....	\$10,000.

8                                   “(B) INCREASE FOR FUEL EFFICIENCY.—

9                                   “(i) AMOUNT.—The amount deter-  
 10                                   mined under subparagraph (A)(i) with re-  
 11                                   spect to a passenger automobile or light  
 12                                   truck shall be increased by—

13                                   “(I) \$500, if such vehicle  
 14                                   achieves at least 125 percent but less  
 15                                   than 150 percent of the 2000 model  
 16                                   year city fuel economy,

17                                   “(II) \$1,000, if such vehicle  
 18                                   achieves at least 150 percent but less



1 than 175 percent of the 2000 model  
2 year city fuel economy,

3 “(III) \$1,500, if such vehicle  
4 achieves at least 175 percent but less  
5 than 200 percent of the 2000 model  
6 year city fuel economy,

7 “(IV) \$2,000, if such vehicle  
8 achieves at least 200 percent but less  
9 than 225 percent of the 2000 model  
10 year city fuel economy,

11 “(V) \$2,500, if such vehicle  
12 achieves at least 225 percent but less  
13 than 250 percent of the 2000 model  
14 year city fuel economy, and

15 “(VI) \$3,000, if such vehicle  
16 achieves at least 250 percent of the  
17 2000 model year city fuel economy.

18 “(ii) 2000 MODEL YEAR CITY FUEL  
19 ECONOMY.—For purposes of clause (i), the  
20 2000 model year city fuel economy with re-  
21 spect to a vehicle shall be determined using  
22 the tables provided in subsection (b)(2)(B)  
23 with respect to such vehicle.

24 “(C) INCREASE FOR ACCELERATED EMIS-  
25 SIONS PERFORMANCE.—The amount deter-

1           mined under subparagraph (A)(ii) with respect  
 2           to an applicable heavy duty hybrid motor vehi-  
 3           cle shall be increased by the increase credit  
 4           amount determined in accordance with the fol-  
 5           lowing tables:

6                           “(i) In the case of a vehicle which has  
 7                           a gross vehicle weight rating of not more  
 8                           than 14,000 pounds:

<b>“If the model year is:</b>	<b>The increase credit amount is:</b>
2002 .....	\$3,500
2003 .....	\$3,000
2004 .....	\$2,500
2005 .....	\$2,000
2006 .....	\$1,500.

9                           “(ii) In the case of a vehicle which  
 10                          has a gross vehicle weight rating of more  
 11                          than 14,000 pounds but not more than  
 12                          26,000 pounds:

<b>“If the model year is:</b>	<b>The increase credit amount is:</b>
2002 .....	\$9,000
2003 .....	\$7,750
2004 .....	\$6,500
2005 .....	\$5,250
2006 .....	\$4,000.

13                          “(iii) In the case of a vehicle which  
 14                          has a gross vehicle weight rating of more  
 15                          than 26,000 pounds:

<b>“If the model year is:</b>	<b>The increase credit amount is:</b>
2002 .....	\$14,000
2003 .....	\$12,000
2004 .....	\$10,000
2005 .....	\$8,000
2006 .....	\$6,000.

16                          “(D) DEFINITIONS.—

1           “(i) APPLICABLE HEAVY DUTY HY-  
2 BRID MOTOR VEHICLE.—For purposes of  
3 subparagraph (C), the term ‘applicable  
4 heavy duty hybrid motor vehicle’ means a  
5 heavy duty hybrid motor vehicle which is  
6 powered by an internal combustion or heat  
7 engine which is certified as meeting the  
8 emission standards set in the regulations  
9 prescribed by the Administrator of the En-  
10 vironmental Protection Agency for 2007  
11 and later model year diesel heavy duty en-  
12 gines or 2008 and later model year  
13 ottocycle heavy duty engines, as applicable.

14           “(ii) HEAVY DUTY HYBRID MOTOR VE-  
15 HICLE.—For purposes of this paragraph,  
16 the term ‘heavy duty hybrid motor vehicle’  
17 means a new qualified hybrid motor vehicle  
18 which has a gross vehicle weight rating of  
19 more than 10,000 pounds and draws pro-  
20 pulsion energy from both of the following  
21 onboard sources of stored energy:

22           “(I) An internal combustion or  
23 heat engine using consumable fuel  
24 which, for 2002 and later model vehi-  
25 cles, has received a certificate of con-

1 formity under the Clean Air Act and  
2 meets or exceeds a level of not greater  
3 than 3.0 grams per brake horse-  
4 power-hour of oxides of nitrogen and  
5 0.01 per brake horsepower-hour of  
6 particulate matter.

7 “(II) A rechargeable energy stor-  
8 age system.

9 “(iii) MAXIMUM AVAILABLE POWER.—

10 “(I) PASSENGER AUTOMOBILE  
11 OR LIGHT TRUCK.—For purposes of  
12 subparagraph (A)(i), the term ‘max-  
13 imum available power’ means the  
14 maximum power available from the  
15 battery or other electrical storage de-  
16 vice, during a standard 10 second  
17 pulse power test, divided by the sum  
18 of the battery or other electrical stor-  
19 age device and the SAE net power of  
20 the heat engine.

21 “(II) HEAVY DUTY HYBRID  
22 MOTOR VEHICLE.—For purposes of  
23 subparagraph (A)(ii), the term ‘max-  
24 imum available power’ means the  
25 maximum power available from the

1 battery or other electrical storage de-  
2 vice, during a standard 10 second  
3 pulse power test, divided by the vehi-  
4 cle's total traction power. The term  
5 'total traction power' means the sum  
6 of the electric motor peak power and  
7 the heat engine peak power of the ve-  
8 hicle, except that if the electric motor  
9 is the sole means by which the vehicle  
10 can be driven, the total traction power  
11 is the peak electric motor power.

12 “(3) NEW QUALIFIED HYBRID MOTOR VEHI-  
13 CLE.—For purposes of this subsection, the term  
14 ‘new qualified hybrid motor vehicle’ means a motor  
15 vehicle—

16 “(A) which draws propulsion energy from  
17 onboard sources of stored energy which are  
18 both—

19 “(i) an internal combustion or heat  
20 engine using combustible fuel, and

21 “(ii) a rechargeable energy storage  
22 system,

23 “(B) which, in the case of a passenger  
24 automobile or light truck—

1           “(i) for 2002 and later model vehicles,  
2           has received a certificate of conformity  
3           under the Clean Air Act and meets or ex-  
4           ceeds the equivalent qualifying California  
5           low emission vehicle standard under sec-  
6           tion 243(e)(2) of the Clean Air Act for  
7           that make and model year, and

8           “(ii) for 2004 and later model vehi-  
9           cles, has received a certificate that such ve-  
10          hicle meets or exceeds the Bin 5 Tier II  
11          emission level established in regulations  
12          prescribed by the Administrator of the En-  
13          vironmental Protection Agency under sec-  
14          tion 202(i) of the Clean Air Act for that  
15          make and model year vehicle,

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

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

20          “(E) which is made by a manufacturer.

21          “(d) NEW QUALIFIED ALTERNATIVE FUEL MOTOR  
22          VEHICLE CREDIT.—

23                 “(1) ALLOWANCE OF CREDIT.—Except as pro-  
24                 vided in paragraph (5), the credit determined under  
25                 this subsection is an amount equal to the applicable

1 percentage of the incremental cost of any new quali-  
2 fied alternative fuel motor vehicle placed in service  
3 by the taxpayer during the taxable year.

4 “(2) APPLICABLE PERCENTAGE.—For purposes  
5 of paragraph (1), the applicable percentage with re-  
6 spect to any new qualified alternative fuel motor ve-  
7 hicle is—

8 “(A) 50 percent, plus

9 “(B) 30 percent, if such vehicle—

10 “(i) has received a certificate of con-  
11 formity under the Clean Air Act and meets  
12 or exceeds the most stringent standard  
13 available for certification under the Clean  
14 Air Act for that make and model year vehi-  
15 cle (other than a zero emission standard),  
16 or

17 “(ii) has received an order from an  
18 applicable State certifying the vehicle for  
19 sale or lease in California and meets or ex-  
20 ceeds the most stringent standard available  
21 for certification under the State laws of  
22 California (enacted in accordance with a  
23 waiver granted under section 209(b) of the  
24 Clean Air Act) for that make and model

1           year vehicle (other than a zero emission  
2           standard).

3           “(3) INCREMENTAL COST.—For purposes of  
4           this subsection, the incremental cost of any new  
5           qualified alternative fuel motor vehicle is equal to  
6           the amount of the excess of the manufacturer’s sug-  
7           gested retail price for such vehicle over such price  
8           for a gasoline or diesel fuel motor vehicle of the  
9           same model, to the extent such amount does not  
10          exceed—

11           “(A) \$5,000, if such vehicle has a gross ve-  
12          hicle weight rating of not more than 8,500  
13          pounds,

14           “(B) \$10,000, if such vehicle has a gross  
15          vehicle weight rating of more than 8,500  
16          pounds but not more than 14,000 pounds,

17           “(C) \$25,000, if such vehicle has a gross  
18          vehicle weight rating of more than 14,000  
19          pounds but not more than 26,000 pounds, and

20           “(D) \$40,000, if such vehicle has a gross  
21          vehicle weight rating of more than 26,000  
22          pounds.

23           “(4) QUALIFIED ALTERNATIVE FUEL MOTOR  
24          VEHICLE DEFINED.—For purposes of this  
25          subsection—



1           “(A) IN GENERAL.—The term ‘qualified  
2 alternative fuel motor vehicle’ means any motor  
3 vehicle—

4           “(i) which is only capable of operating  
5 on an alternative fuel,

6           “(ii) the original use of which com-  
7 mences with the taxpayer,

8           “(iii) which is acquired by the tax-  
9 payer for use or lease, but not for resale,  
10 and

11           “(iv) which is made by a manufac-  
12 turer.

13           “(B) ALTERNATIVE FUEL.—The term ‘al-  
14 ternative fuel’ means compressed natural gas,  
15 liquefied natural gas, liquefied petroleum gas,  
16 hydrogen, and any liquid at least 85 percent of  
17 the volume of which consists of methanol.

18           “(5) CREDIT FOR MIXED-FUEL VEHICLES.—

19           “(A) IN GENERAL.—In the case of a  
20 mixed-fuel vehicle placed in service by the tax-  
21 payer during the taxable year, the credit deter-  
22 mined under this subsection is an amount equal  
23 to—

24           “(i) in the case of a 75/25 mixed-fuel  
25 vehicle, 70 percent of the credit which

1 would have been allowed under this sub-  
2 section if such vehicle was a qualified alter-  
3 native fuel motor vehicle, and

4 “(ii) in the case of a 95/5 mixed-fuel  
5 vehicle, 95 percent of the credit which  
6 would have been allowed under this sub-  
7 section if such vehicle was a qualified alter-  
8 native fuel motor vehicle.

9 “(B) MIXED-FUEL VEHICLE.—For pur-  
10 poses of this subsection, the term ‘mixed-fuel  
11 vehicle’ means any motor vehicle described in  
12 subparagraph (C) or (D) of paragraph (3),  
13 which—

14 “(i) is certified by the manufacturer  
15 as being able to perform efficiently in nor-  
16 mal operation on a combination of an al-  
17 ternative fuel and a petroleum-based fuel,

18 “(ii) either—

19 “(I) has received a certificate of  
20 conformity under the Clean Air Act,  
21 or

22 “(II) has received an order from  
23 an applicable State certifying the vehi-  
24 cle for sale or lease in California and  
25 meets or exceeds the low emission ve-

1                    hicle standard under section 88.105-  
2                    94 of title 40, Code of Federal Regu-  
3                    lations, for that make and model year  
4                    vehicle,

5                    “(iii) the original use of which com-  
6                    mences with the taxpayer,

7                    “(iv) which is acquired by the tax-  
8                    payer for use or lease, but not for resale,  
9                    and

10                   “(v) which is made by a manufac-  
11                   turer.

12                   “(C) 75/25 MIXED-FUEL VEHICLE.—For  
13                   purposes of this subsection, the term ‘75/25  
14                   mixed-fuel vehicle’ means a mixed-fuel vehicle  
15                   which operates using at least 75 percent alter-  
16                   native fuel and not more than 25 percent petro-  
17                   leum-based fuel.

18                   “(D) 95/5 MIXED-FUEL VEHICLE.—For  
19                   purposes of this subsection, the term ‘95/5  
20                   mixed-fuel vehicle’ means a mixed-fuel vehicle  
21                   which operates using at least 95 percent alter-  
22                   native fuel and not more than 5 percent petro-  
23                   leum-based fuel.

1       “(e) APPLICATION WITH OTHER CREDITS.—The  
2 credit allowed under subsection (a) for any taxable year  
3 shall not exceed the excess (if any) of—

4               “(1) the regular tax for the taxable year re-  
5 duced by the sum of the credits allowable under sub-  
6 part A and sections 27, 29, and 30, over

7               “(2) the tentative minimum tax for the taxable  
8 year.

9       “(f) OTHER DEFINITIONS AND SPECIAL RULES.—  
10 For purposes of this section—

11               “(1) CONSUMABLE FUEL.—The term  
12 ‘consumable fuel’ means any solid, liquid, or gaseous  
13 matter which releases energy when consumed by an  
14 auxiliary power unit.

15               “(2) MOTOR VEHICLE.—The term ‘motor vehi-  
16 cle’ has the meaning given such term by section  
17 30(c)(2).

18               “(3) 2000 MODEL YEAR CITY FUEL ECON-  
19 OMY.—The 2000 model year city fuel economy with  
20 respect to any vehicle shall be measured under rules  
21 similar to the rules under section 4064(c).

22               “(4) OTHER TERMS.—The terms ‘automobile’,  
23 ‘passenger automobile’, ‘light truck’, and ‘manufac-  
24 turer’ have the meanings given such terms in regula-  
25 tions prescribed by the Administrator of the Envi-

1       ronmental Protection Agency for purposes of the ad-  
2       ministration of title II of the Clean Air Act (42  
3       U.S.C. 7521 et seq.).

4               “(5) REDUCTION IN BASIS.—For purposes of  
5       this subtitle, the basis of any property for which a  
6       credit is allowable under subsection (a) shall be re-  
7       duced by the amount of such credit so allowed (de-  
8       termined without regard to subsection (e)).

9               “(6) NO DOUBLE BENEFIT.—The amount of  
10       any deduction or credit allowable under this  
11       chapter—

12               “(A) for any incremental cost taken into  
13       account in computing the amount of the credit  
14       determined under subsection (d) shall be re-  
15       duced by the amount of such credit attributable  
16       to such cost, and

17               “(B) with respect to a vehicle described  
18       under subsection (b) or (c), shall be reduced by  
19       the amount of credit allowed under subsection  
20       (a) for such vehicle for the taxable year.

21               “(7) PROPERTY USED BY TAX-EXEMPT ENTI-  
22       TIES.—In the case of a credit amount which is al-  
23       lowable with respect to a motor vehicle which is ac-  
24       quired by an entity exempt from tax under this  
25       chapter, the person which sells or leases such vehicle

1 to the entity shall be treated as the taxpayer with  
2 respect to the vehicle for purposes of this section  
3 and the credit shall be allowed to such person, but  
4 only if the person clearly discloses to the entity in  
5 any sale or lease document the specific amount of  
6 any credit otherwise allowable to the entity under  
7 this section and reduces the sale or lease price of  
8 such vehicle by an equivalent amount of such credit.

9 “(8) RECAPTURE.—The Secretary shall, by reg-  
10 ulations, provide for recapturing the benefit of any  
11 credit allowable under subsection (a) with respect to  
12 any property which ceases to be property eligible for  
13 such credit (including recapture in the case of a  
14 lease period of less than the economic life of a vehi-  
15 cle).

16 “(9) PROPERTY USED OUTSIDE UNITED  
17 STATES, ETC., NOT QUALIFIED.—No credit shall be  
18 allowed under subsection (a) with respect to any  
19 property referred to in section 50(b) or with respect  
20 to the portion of the cost of any property taken into  
21 account under section 179.

22 “(10) ELECTION TO NOT TAKE CREDIT.—No  
23 credit shall be allowed under subsection (a) for any  
24 vehicle if the taxpayer elects to not have this section  
25 apply to such vehicle.

1 “(11) CARRYFORWARD ALLOWED.—

2 “(A) IN GENERAL.—If the credit amount  
3 allowable under subsection (a) for a taxable  
4 year exceeds the amount of the limitation under  
5 subsection (e) for such taxable year (referred to  
6 as the ‘unused credit year’ in this paragraph),  
7 such excess shall be allowed as a credit  
8 carryforward for each of the 20 taxable years  
9 following the unused credit year.

10 “(B) RULES.—Rules similar to the rules of  
11 section 39 shall apply with respect to the credit  
12 carryforward under subparagraph (A).

13 “(12) INTERACTION WITH AIR QUALITY AND  
14 MOTOR VEHICLE SAFETY STANDARDS.—Unless oth-  
15 erwise provided in this section, a motor vehicle shall  
16 not be considered eligible for a credit under this sec-  
17 tion unless such vehicle is in compliance with—

18 “(A) the applicable provisions of the Clean  
19 Air Act for the applicable make and model year  
20 of the vehicle (or applicable air quality provi-  
21 sions of State law in the case of a State which  
22 has adopted such provision under a waiver  
23 under section 209(b) of the Clean Air Act), and

1           “(B) the motor vehicle safety provisions of  
2           sections 30101 through 30169 of title 49,  
3           United States Code.

4           “(g) REGULATIONS.—

5           “(1) IN GENERAL.—The Secretary shall pro-  
6           mulgate such regulations as necessary to carry out  
7           the provisions of this section.

8           “(2) ADMINISTRATOR OF ENVIRONMENTAL  
9           PROTECTION AGENCY.—The Administrator of the  
10          Environmental Protection Agency, in coordination  
11          with the Secretary of Transportation and the Sec-  
12          retary of the Treasury, shall prescribe such regula-  
13          tions as necessary to determine whether a motor ve-  
14          hicle meets the requirements to be eligible for a  
15          credit under this section.

16          “(h) TERMINATION.—This section shall not apply to  
17          any property placed in service after December 31, 2007.”.

18          (2) CONFORMING AMENDMENTS.—

19                  (A) Section 1016(a) is amended by strik-  
20                  ing “and” at the end of paragraph (27), by  
21                  striking the period at the end of paragraph (28)  
22                  and inserting “, and”, and by adding at the end  
23                  the following:

24                  “(29) to the extent provided in section  
25                  30B(f)(4).”.



1 (B) Section 53(d)(1)(B)(iii) is amended by  
2 inserting “, or not allowed under section 30B  
3 solely by reason of the application of section  
4 30B(e)(2)” before the period.

5 (C) Section 55(c)(2) is amended by insert-  
6 ing “30B(e),” after “30(b)(3)”.

7 (D) Section 6501(m) is amended by insert-  
8 ing “30B(f)(9),” after “30(d)(4),”.

9 (E) The table of sections for subpart B of  
10 part IV of subchapter A of chapter 1 is amend-  
11 ed by inserting after the item relating to section  
12 30A the following:

“Sec. 30B. Alternative motor vehicle credit.”.

13 (b) MODIFICATION OF CREDIT FOR QUALIFIED  
14 ELECTRIC VEHICLES.—

15 (1) AMOUNT OF CREDIT.—

16 (A) IN GENERAL.—Section 30(a) (relating  
17 to allowance of credit) is amended by striking  
18 “10 percent of”.

19 (B) LIMITATION OF CREDIT ACCORDING  
20 TO TYPE OF VEHICLE.—Section 30(b) (relating  
21 to limitations) is amended—

22 (i) by striking paragraphs (1) and (2)  
23 and inserting the following:

24 “(1) LIMITATION ACCORDING TO TYPE OF VE-  
25 HICLE.—The amount of the credit allowed under

1 subsection (a) for any vehicle shall not exceed the  
2 greatest of the following amounts applicable to such  
3 vehicle:

4 “(A) In the case of a vehicle which con-  
5 forms to the Motor Vehicle Safety Standard  
6 500 prescribed by the Secretary of Transpor-  
7 tation, the lesser of—

8 “(i) 10 percent of the manufacturer’s  
9 suggested retail price of the vehicle, or

10 “(ii) \$4,000.

11 “(B) In the case of a vehicle with a gross  
12 vehicle weight rating not exceeding 8,500  
13 pounds—

14 “(i) \$4,000, or

15 “(ii) \$6,000, if such vehicle is—

16 “(I) capable of a driving range of  
17 at least 100 miles on a single charge  
18 of the vehicle’s rechargeable batteries  
19 and measured pursuant to the urban  
20 dynamometer schedules under appen-  
21 dix I to part 86 of title 40, Code of  
22 Federal Regulations, or

23 “(II) capable of a payload capac-  
24 ity of at least 1000 pounds.

1           “(C) In the case of a vehicle with a gross  
2 vehicle weight rating exceeding 8,500 but not  
3 exceeding 14,000 pounds, \$10,000.

4           “(D) In the case of a vehicle with a gross  
5 vehicle weight rating exceeding 14,000 but not  
6 exceeding 26,000 pounds, \$20,000.

7           “(E) In the case of a vehicle with a gross  
8 vehicle weight rating exceeding 26,000 pounds,  
9 \$40,000.”, and

10                   (ii) by redesignating paragraph (3) as  
11 paragraph (2).

12           (C) CONFORMING AMENDMENTS.—

13                   (i) Section 53(d)(1)(B)(iii) is amend-  
14 ed by striking “section 30(b)(3)(B)” and  
15 inserting “section 30(b)(2)(B)”.

16                   (ii) Section 55(c)(2) is amended by  
17 striking “30(b)(3)” and inserting  
18 “30(b)(2)”.

19           (2) QUALIFIED BATTERY ELECTRIC VEHICLE.—

20                   (A) IN GENERAL.—Section 30(c)(1)(A)  
21 (defining qualified electric vehicle) is amended  
22 to read as follows:

23                           “(A) which is—

24                                   “(i) operated solely by use of a bat-  
25 tery or battery pack, or

1           “(ii) powered primarily through the  
2           use of an electric battery or battery pack  
3           using a flywheel or capacitor which stores  
4           energy produced by an electric motor  
5           through regenerative braking to assist in  
6           vehicle operation,”.

7           (B)       LEASED       VEHICLES.—Section  
8           30(c)(1)(C) is amended by inserting “or lease”  
9           after “use”.

10          (C) CONFORMING AMENDMENTS.—

11           (i) Subsections (a), (b)(2), and (c) of  
12           section 30 are each amended by inserting  
13           “battery” after “qualified” each place it  
14           appears.

15           (ii) The heading of subsection (c) of  
16           section 30 is amended by inserting “BAT-  
17           TERY” after “QUALIFIED”.

18           (iii) The heading of section 30 is  
19           amended by inserting “**BATTERY**” after  
20           “**QUALIFIED**”.

21           (iv) The item relating to section 30 in  
22           the table of sections for subpart B of part  
23           IV of subchapter A of chapter 1 is amend-  
24           ed by inserting “battery” after “qualified”.

1 (v) Section 179A(c)(3) is amended by  
2 inserting “battery” before “electric”.

3 (vi) The heading of paragraph (3) of  
4 section 179A(c) is amended by inserting  
5 “BATTERY” before “ELECTRIC”.

6 (3) ADDITIONAL SPECIAL RULES.—Section  
7 30(d) (relating to special rules) is amended by add-  
8 ing at the end the following:

9 “(5) NO DOUBLE BENEFIT.—The amount of  
10 any deduction or credit allowable under this chapter  
11 for any cost taken into account in computing the  
12 amount of the credit determined under subsection  
13 (a) shall be reduced by the amount of such credit at-  
14 tributable to such cost.

15 “(6) PROPERTY USED BY TAX-EXEMPT ENTI-  
16 TIES.—In the case of a credit amount which is al-  
17 lowable with respect to a vehicle which is acquired  
18 by an entity exempt from tax under this chapter, the  
19 person which sells or leases such vehicle to the entity  
20 shall be treated as the taxpayer with respect to the  
21 vehicle for purposes of this section and the credit  
22 shall be allowed to such person, but only if the per-  
23 son clearly discloses to the entity in any sale or lease  
24 contract the specific amount of any credit otherwise  
25 allowable to the entity under this section and re-

1       duces the sale or lease price of such vehicle by an  
2       equivalent amount of such credit.”.

3           (4) EXTENSION.—Section 30(e) (relating to ter-  
4       mination) is amended by striking “2004” and insert-  
5       ing “2007”.

6       (c) EFFECTIVE DATE.—The amendments made by  
7       this section shall apply to property placed in service after  
8       December 31, 2001, in taxable years ending after such  
9       date.

10   **SEC. 202. CREDIT FOR RETAIL SALE OF ALTERNATIVE**  
11                           **FUELS AS MOTOR VEHICLE FUEL.**

12       (a) IN GENERAL.—Subpart D of part IV of sub-  
13       chapter A of chapter 1 (relating to business related cred-  
14       its) is amended by inserting after section 40 the following:

15   **“SEC. 40A. CREDIT FOR RETAIL SALE OF ALTERNATIVE**  
16                           **FUELS AS MOTOR VEHICLE FUEL.**

17       “(a) GENERAL RULE.—For purposes of section 38,  
18       the alternative fuel retail sales credit for any taxable year  
19       is 25 cents for each gasoline gallon equivalent of alter-  
20       native fuel sold at retail by the taxpayer during such year  
21       as a fuel to propel any qualified motor vehicle, but only  
22       if the taxpayer reduces the retail sales price of such fuel  
23       by an equivalent amount of such credit.

24       “(b) DEFINITIONS.—For purposes of this section—

1           “(1) ALTERNATIVE FUEL.—The term ‘alter-  
2           native fuel’ means compressed natural gas, liquefied  
3           natural gas, liquefied petroleum gas, hydrogen, and  
4           any liquid at least 85 percent of the volume of which  
5           consists of methanol.

6           “(2) GASOLINE GALLON EQUIVALENT.—The  
7           term ‘gasoline gallon equivalent’ means, with respect  
8           to any alternative fuel, the amount (determined by  
9           the Secretary) of such fuel having a Btu content of  
10          114,000.

11          “(3) QUALIFIED MOTOR VEHICLE.—The term  
12          ‘qualified motor vehicle’ means any motor vehicle (as  
13          defined in section 30(c)(2)) which meets any appli-  
14          cable Federal or State emissions standards with re-  
15          spect to each fuel by which such vehicle is designed  
16          to be propelled.

17          “(4) SOLD AT RETAIL.—

18                 “(A) IN GENERAL.—The term ‘sold at re-  
19                 tail’ means the sale, for a purpose other than  
20                 resale, after manufacture, production, or impor-  
21                 tation.

22                 “(B) USE TREATED AS SALE.—If any per-  
23                 son uses alternative fuel (including any use  
24                 after importation) as a fuel to propel any quali-  
25                 fied alternative fuel motor vehicle (as defined in

1 section 30B(d)(4)) before such fuel is sold at  
2 retail, then such use shall be treated in the  
3 same manner as if such fuel were sold at retail  
4 as a fuel to propel such a vehicle by such per-  
5 son.

6 “(c) NO DOUBLE BENEFIT.—The amount of any de-  
7 duction or credit allowable under this chapter for any fuel  
8 taken into account in computing the amount of the credit  
9 determined under subsection (a) shall be reduced by the  
10 amount of such credit attributable to such fuel.

11 “(d) PASS-THRU IN THE CASE OF ESTATES AND  
12 TRUSTS.—Under regulations prescribed by the Secretary,  
13 rules similar to the rules of subsection (d) of section 52  
14 shall apply.

15 “(e) TERMINATION.—This section shall not apply to  
16 any fuel sold at retail after December 31, 2007.”.

17 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-  
18 tion 38(b) (relating to current year business credit) is  
19 amended by striking “plus” at the end of paragraph (14),  
20 by striking the period at the end of paragraph (15) and  
21 inserting “, plus”, and by adding at the end the following:

22 “(16) the alternative fuel retail sales credit de-  
23 termined under section 40A(a).”.



1 (c) TRANSITIONAL RULE.—Section 39(d) (relating to  
2 transitional rules) is amended by adding at the end the  
3 following:

4 “(11) NO CARRYBACK OF SECTION 40A CREDIT  
5 BEFORE EFFECTIVE DATE.—No portion of the un-  
6 used business credit for any taxable year which is  
7 attributable to the alternative fuel retail sales credit  
8 determined under section 40A(a) may be carried  
9 back to a taxable year ending before January 1,  
10 2002.”.

11 (d) CLERICAL AMENDMENT.—The table of sections  
12 for subpart D of part IV of subchapter A of chapter 1  
13 is amended by inserting after the item relating to section  
14 40 the following:

“Sec. 40A. Credit for retail sale of alternative fuels as motor vehicle fuel.”.

15 (e) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to fuel sold at retail after Decem-  
17 ber 31, 2001, in taxable years ending after such date.

18 **SEC. 203. EXTENSION OF DEDUCTION FOR CERTAIN RE-**  
19 **FUELING PROPERTY.**

20 (a) IN GENERAL.—Section 179A(f) (relating to ter-  
21 mination) is amended by striking “2004” and inserting  
22 “2007”.

23 (b) CONFORMING AMENDMENT.—Section 179A(c)  
24 (relating to qualified clean-fuel vehicle property defined)  
25 is amended by striking paragraph (3).

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to property placed in service after  
3 December 31, 2001, in taxable years ending after such  
4 date.

5 **SEC. 204. CREDIT FOR INSTALLATION OF ALTERNATIVE**  
6 **FUELING STATIONS.**

7       (a) IN GENERAL.—Subpart B of part IV of sub-  
8 chapter A of chapter 1 (relating to foreign tax credit, etc.),  
9 as amended by section 201, is amended by adding at the  
10 end the following:

11 **“SEC. 30C. CLEAN-FUEL VEHICLE REFUELING PROPERTY**  
12 **CREDIT.**

13       “(a) CREDIT ALLOWED.—There shall be allowed as  
14 a credit against the tax imposed by this chapter for the  
15 taxable year an amount equal to—

16               “(1) 50 percent, in the case of retail clean-fuel  
17 vehicle refueling property, and

18               “(2) 50 percent, in the case of residential clean-  
19 fuel vehicle refueling property,

20 of the amount paid or incurred by the taxpayer during  
21 the taxable year for the installation of clean-fuel vehicle  
22 refueling property.

23       “(b) LIMITATION.—The credit allowed under—

1           “(1) subsection (a)(1) with respect to clean-fuel  
2           vehicle refueling property, shall not exceed \$30,000,  
3           and

4           “(2) subsection (a)(2) with respect to clean-fuel  
5           vehicle refueling property, shall not exceed \$1,000.

6           “(c) YEAR CREDIT ALLOWED.—The credit allowed  
7           under subsection (a) shall be allowed in the taxable year  
8           in which the clean-fuel vehicle refueling property is placed  
9           in service by the taxpayer.

10          “(d) DEFINITIONS.—For purposes of this section—

11           “(1) CLEAN-FUEL VEHICLE REFUELING PROP-  
12           PERTY.—The term ‘clean-fuel vehicle refueling prop-  
13           erty’ has the same meaning given the term ‘qualified  
14           clean-fuel vehicle refueling property’ under section  
15           179A.

16           “(2) RESIDENTIAL CLEAN-FUEL VEHICLE RE-  
17           FUELING PROPERTY.—The term ‘residential clean-  
18           fuel vehicle refueling property’ means clean-fuel ve-  
19           hicle refueling property which is installed on prop-  
20           erty which is used as the principal residence (within  
21           the meaning of section 121) of the taxpayer.

22           “(3) RETAIL CLEAN-FUEL VEHICLE REFUELING  
23           PROPERTY.—The term ‘retail clean-fuel vehicle re-  
24           fueling property’ means clean-fuel vehicle refueling  
25           property—

1           “(A) which is installed on property used in  
2           a trade or business of the taxpayer, and

3           “(B) if such refueling property—

4                 “(i) is—

5                         “(I) available to the public dur-  
6                         ing normal business hours, and

7                         “(II) capable of serving at least 3  
8                         motor vehicles at the same time, or

9                 “(ii) regularly serves at least 1 fleet of  
10                 10 or more motor vehicles.

11           “(e) APPLICATION WITH OTHER CREDITS.—The  
12           credit allowed under subsection (a) for any taxable year  
13           shall not exceed the excess (if any) of—

14                 “(1) the regular tax for the taxable year re-  
15                 duced by the sum of the credits allowable under sub-  
16                 part A and sections 27, 29, 30, and 30B, over

17                 “(2) the tentative minimum tax for the taxable  
18                 year.

19           “(f) BASIS REDUCTION.—For purposes of this title,  
20           the basis of any property shall be reduced by the portion  
21           of the cost of such property taken into account under sub-  
22           section (a).

23           “(g) NO DOUBLE BENEFIT.—No deduction shall be  
24           allowed under section 179A with respect to any property

1 with respect to which a credit is allowed under subsection  
2 (a).

3       “(h) REFUELING PROPERTY INSTALLED FOR TAX-  
4 EXEMPT ENTITIES.—In the case of clean-fuel vehicle re-  
5 fueling property installed on property owned or used by  
6 an entity exempt from tax under this chapter, the person  
7 which installs such refueling property for the entity shall  
8 be treated as the taxpayer with respect to the refueling  
9 property for purposes of this section (and such refueling  
10 property shall be treated as retail clean-fuel vehicle refuel-  
11 ing property) and the credit shall be allowed to such per-  
12 son, but only if the person clearly discloses to the entity  
13 in any installation contract the specific amount of the  
14 credit allowable under this section and modifies the price  
15 of such contract to take into account the amount of such  
16 credit.

17       “(i) CARRYFORWARD ALLOWED.—

18               “(1) IN GENERAL.—If the credit amount allow-  
19 able under subsection (a) for a taxable year exceeds  
20 the amount of the limitation under subsection (b)  
21 for such taxable year (referred to as the ‘unused  
22 credit year’ in this subsection), such excess shall be  
23 allowed as a credit carryforward for each of the 20  
24 taxable years following the unused credit year.

1           “(2) RULES.—Rules similar to the rules of sec-  
2           tion 39 shall apply with respect to the credit  
3           carryforward under paragraph (1).

4           “(j) SPECIAL RULES.—Rules similar to the rules of  
5           paragraphs (4) and (5) of section 179A(e) shall apply.

6           “(k) REGULATIONS.—The Secretary shall prescribe  
7           such regulations as necessary to carry out the provisions  
8           of this section.

9           “(l) TERMINATION.—This section shall not apply to  
10          any property placed in service after December 31, 2007.”.

11          (b) CONFORMING AMENDMENTS.—

12                 (1) Section 1016(a), as amended by section  
13                 201, is amended by striking “and” at the end of  
14                 paragraph (28), by striking the period at the end of  
15                 paragraph (29) and inserting “, and”, and by add-  
16                 ing at the end the following:

17                         “(30) to the extent provided in section  
18                         30C(f).”.

19                 (2) Section 53(d)(1)(B)(iii), as amended by sec-  
20                 tion 201, is amended by inserting “, or not allowed  
21                 under section 30C solely by reason of the application  
22                 of section 30C(e)(2)” before the period.

23                 (3) Section 55(e)(2), as amended by section  
24                 201, is amended by inserting “30C(e),” after  
25                 “30B(e)”.

1 (4) The table of sections for subpart B of part  
 2 IV of subchapter A of chapter 1, as amended by sec-  
 3 tion 201, is amended by inserting after the item re-  
 4 lating to section 30B the following:

“Sec. 30C. Clean-fuel vehicle refueling property credit.”.

5 (c) EFFECTIVE DATE.—The amendments made by  
 6 this section shall apply to property placed in service after  
 7 December 31, 2001, in taxable years ending after such  
 8 date.

9 **SEC. 205. CREDIT FOR PROPERTY TO CONVERT WASTE TO**  
 10 **FUEL.**

11 (a) IN GENERAL.—Subparagraph (A) of section  
 12 48A(c)(1) (defining energy property), as added by section  
 13 401, is amended by striking “or” at the end of clause (vi),  
 14 by adding “or” at the end of clause (vii), and by inserting  
 15 after clause (vii) the following new clause:

16 “(viii) waste conversion property,”.

17 (b) WASTE CONVERSION PROPERTY.—Subsection (d)  
 18 of section 48A, as so added, is amended by adding at the  
 19 end the following new paragraph:

20 “(8) WASTE CONVERSION PROPERTY.—The  
 21 term ‘waste conversion property’ means equipment  
 22 used to produce a usable liquid or gaseous synthetic  
 23 fuel derived from a waste feedstock (including plas-  
 24 tic waste and biomass (as defined in section  
 25 29(c)).”.

1 (c) ENERGY PERCENTAGE IS 15 PERCENT.—Sub-  
2 section (b) of section 48A, as so added, is amended in  
3 paragraph (1)(C) by striking “subsection (c)(1)(A)(v)”  
4 and inserting “clauses (v) and (viii) of subsection  
5 (c)(1)(A)”.

6 **TITLE III—ENERGY EFFICIENCY**  
7 **AND CONSERVATION**

8 **SEC. 301. ENERGY-EFFICIENT COMMERCIAL BUILDING**  
9 **PROPERTY DEDUCTION.**

10 (a) IN GENERAL.—Part VI of subchapter B of chap-  
11 ter 1 (relating to itemized deductions for individuals and  
12 corporations) is amended by adding at the end the fol-  
13 lowing:

14 **“SEC. 199. ENERGY-EFFICIENT COMMERCIAL BUILDING**  
15 **PROPERTY.**

16 “(a) IN GENERAL.—There shall be allowed as a de-  
17 duction for the taxable year an amount equal to the en-  
18 ergy-efficient commercial building property expenditures  
19 made by a taxpayer for the taxable year.

20 “(b) MAXIMUM AMOUNT OF DEDUCTION.—The  
21 amount of energy-efficient commercial building property  
22 expenditures taken into account under subsection (a) shall  
23 not exceed an amount equal to the product of—

24 “(1) \$2.25, and



1           “(2) the square footage of the building with re-  
2           spect to which the expenditures are made.

3           “(c) YEAR DEDUCTION ALLOWED.—The deduction  
4           under subsection (a) shall be allowed in the taxable year  
5           in which the construction of the building is completed.

6           “(d) ENERGY-EFFICIENT COMMERCIAL BUILDING  
7           PROPERTY EXPENDITURES.—For purposes of this  
8           section—

9           “(1) IN GENERAL.—The term ‘energy-efficient  
10           commercial building property expenditures’ means  
11           an amount paid or incurred for energy-efficient com-  
12           mercial building property installed on or in connec-  
13           tion with new construction or reconstruction of  
14           property—

15                   “(A) for which depreciation is allowable  
16                   under section 167,

17                   “(B) which is located in the United States,  
18                   and

19                   “(C) the construction or erection of which  
20                   is completed by the taxpayer.

21           Such property includes all residential rental prop-  
22           erty, including low-rise multifamily structures and  
23           single family housing property which is not within  
24           the scope of Standard 90.1–1999 (described in para-  
25           graph (3)).

1           “(2) LABOR COSTS INCLUDED.—Such term in-  
2           cludes expenditures for labor costs properly allocable  
3           to the onsite preparation, assembly, or original in-  
4           stallation of the property.

5           “(3) ENERGY EXPENDITURES EXCLUDED.—  
6           Such term does not include any expenditures taken  
7           into account in determining any credit allowed under  
8           section 48A.

9           “(e) ENERGY-EFFICIENT COMMERCIAL BUILDING  
10          PROPERTY.—For purposes of subsection (d)—

11           “(1) IN GENERAL.—The term ‘energy-efficient  
12           commercial building property’ means any property  
13           which reduces total annual energy and power costs  
14           with respect to the lighting, heating, cooling, ventila-  
15           tion, and hot water supply systems of the building  
16           by 50 percent or more in comparison to a reference  
17           building which meets the requirements of Standard  
18           90.1–1999 of the American Society of Heating, Re-  
19           frigerating, and Air Conditioning Engineers and the  
20           Illuminating Engineering Society of North America  
21           using methods of calculation under subparagraph  
22           (B) and certified by qualified professionals as pro-  
23           vided under paragraph (6).

24           “(2) METHODS OF CALCULATION.—The Sec-  
25           retary, in consultation with the Secretary of Energy,

1 shall promulgate regulations which describe in detail  
2 methods for calculating and verifying energy and  
3 power consumption and cost, taking into consider-  
4 ation the provisions of the 1998 California Nonresi-  
5 dential ACM Manual. These procedures shall meet  
6 the following requirements:

7 “(A) In calculating tradeoffs and energy  
8 performance, the regulations shall prescribe the  
9 costs per unit of energy and power, such as kil-  
10 owatt hour, kilowatt, gallon of fuel oil, and  
11 cubic foot or Btu of natural gas, which may be  
12 dependent on time of usage.

13 “(B) The calculational methodology shall  
14 require that compliance be demonstrated for a  
15 whole building. If some systems of the building,  
16 such as lighting, are designed later than other  
17 systems of the building, the method shall pro-  
18 vide that either—

19 “(i) the expenses taken into account  
20 under paragraph (1) shall not occur until  
21 the date designs for all energy-using sys-  
22 tems of the building are completed, or

23 “(ii) the expenses taken into account  
24 under paragraph (1) shall be a fraction of  
25 such expenses based on the performance of

1 less than all energy-using systems in ac-  
2 cordance with subparagraph (C), and the  
3 energy performance of all systems and  
4 components not yet designed shall be as-  
5 sumed to comply minimally with the re-  
6 quirements of such Standard 90.1–1999.

7 “(C) The expenditures in connection with  
8 the design of subsystems in the building, such  
9 as the envelope, the heating, ventilation, air  
10 conditioning and water heating system, and the  
11 lighting system shall be allocated to the appro-  
12 priate building subsystem based on system-spe-  
13 cific energy cost savings targets in regulations  
14 promulgated by the Secretary of Energy which  
15 are equivalent, using the calculation method-  
16 ology, to the whole building requirement of 50  
17 percent savings.

18 “(D) The calculational methods under this  
19 paragraph need not comply fully with section  
20 11 of such Standard 90.1–1999.

21 “(E) The calculational methods shall be  
22 fuel neutral, such that the same energy effi-  
23 ciency features shall qualify a building for the  
24 deduction under this section regardless of

1           whether the heating source is a gas or oil fur-  
2           nace or an electric heat pump.

3           “(F) The calculational methods shall pro-  
4           vide appropriate calculated energy savings for  
5           design methods and technologies not otherwise  
6           credited in either such Standard 90.1–1999 or  
7           in the 1998 California Nonresidential ACM  
8           Manual, including the following:

9                   “(i) Natural ventilation.

10                   “(ii) Evaporative cooling.

11                   “(iii) Automatic lighting controls such  
12                   as occupancy sensors, photocells, and time-  
13                   clocks.

14                   “(iv) Daylighting.

15                   “(v) Designs utilizing semi-condi-  
16                   tioned spaces which maintain adequate  
17                   comfort conditions without air conditioning  
18                   or without heating.

19                   “(vi) Improved fan system efficiency,  
20                   including reductions in static pressure.

21                   “(vii) Advanced unloading mecha-  
22                   nisms for mechanical cooling, such as mul-  
23                   tiple or variable speed compressors.

24                   “(viii) The calculational methods may  
25                   take into account the extent of commis-

1 sioning in the building, and allow the tax-  
2 payer to take into account measured per-  
3 formance which exceeds typical perform-  
4 ance.

5 “(3) COMPUTER SOFTWARE.—

6 “(A) IN GENERAL.—Any calculation under  
7 this subsection shall be prepared by qualified  
8 computer software.

9 “(B) QUALIFIED COMPUTER SOFTWARE.—  
10 For purposes of this paragraph, the term  
11 ‘qualified computer software’ means software—

12 “(i) for which the software designer  
13 has certified that the software meets all  
14 procedures and detailed methods for calcu-  
15 lating energy and power consumption and  
16 costs as required by the Secretary,

17 “(ii) which provides such forms as re-  
18 quired to be filed by the Secretary in con-  
19 nection with energy efficiency of property  
20 and the deduction allowed under this sec-  
21 tion, and

22 “(iii) which provides a notice form  
23 which summarizes the energy efficiency  
24 features of the building and its projected  
25 annual energy costs.

1           “(4) ALLOCATION OF DEDUCTION FOR PUBLIC  
2           PROPERTY.—In the case of energy-efficient commer-  
3           cial building property installed on or in public prop-  
4           erty, the Secretary shall promulgate a regulation to  
5           allow the allocation of the deduction to the person  
6           primarily responsible for designing the property in  
7           lieu of the public entity which is the owner of such  
8           property. Such person shall be treated as the tax-  
9           payer for purposes of this section.

10           “(5) NOTICE TO OWNER.—The qualified indi-  
11           vidual shall provide an explanation to the owner of  
12           the building regarding the energy efficiency features  
13           of the building and its projected annual energy costs  
14           as provided in the notice under paragraph  
15           (3)(B)(iii).

16           “(6) CERTIFICATION.—

17           “(A) IN GENERAL.—Except as provided in  
18           this paragraph, the Secretary, in consultation  
19           with the Secretary of Energy, shall establish re-  
20           quirements for certification and compliance pro-  
21           cedures similar to the procedures under section  
22           45E(d).

23           “(B) QUALIFIED INDIVIDUALS.—Individuals  
24           qualified to determine compliance shall be only  
25           those individuals who are recognized by an or-

1 organization certified by the Secretary for such  
2 purposes.

3 “(C) PROFICIENCY OF QUALIFIED INDIVID-  
4 UALS.—The Secretary shall consult with non-  
5 profit organizations and State agencies with ex-  
6 pertise in energy efficiency calculations and in-  
7 spections to develop proficiency tests and train-  
8 ing programs to qualify individuals to determine  
9 compliance.

10 “(f) REGULATIONS.—The Secretary shall promulgate  
11 such regulations as necessary to take into account new  
12 technologies regarding energy efficiency and renewable en-  
13 ergy for purposes of determining energy efficiency and  
14 savings under this section.

15 “(g) TERMINATION.—This section shall not apply  
16 with respect to any energy-efficient commercial building  
17 property expenditures in connection with property—

18 “(1) the plans for which are not certified under  
19 subsection (e)(6) on or before December 31, 2007,  
20 and

21 “(2) the construction of which is not completed  
22 on or before December 31, 2009.”.

23 (b) CONFORMING AMENDMENTS.—Section 1016(a),  
24 as amended by section 203(b), is amended by striking  
25 “and” at the end of paragraph (29), by striking the period



1 at the end of paragraph (30) and inserting “, and”, and  
 2 by inserting the following:

3 “(31) for amounts allowed as a deduction under  
 4 section 199(a).”.

5 (c) CLERICAL AMENDMENT.—The table of sections  
 6 for part VI of subchapter B of chapter 1 is amended by  
 7 adding at the end the following:

“Sec. 199. Energy-efficient commercial building property.”.

8 (d) EFFECTIVE DATE.—The amendments made by  
 9 this section shall apply to taxable years beginning after  
 10 December 31, 2001.

11 **SEC. 302. CREDIT FOR CONSTRUCTION OF NEW HIGHLY EN-**  
 12 **ERGY-EFFICIENT HOMES.**

13 (a) IN GENERAL.—Subpart D of part IV of sub-  
 14 chapter A of chapter 1 (relating to business related cred-  
 15 its) is amended by inserting after section 45D the fol-  
 16 lowing:

17 **“SEC. 45E. NEW HIGHLY ENERGY-EFFICIENT HOME CREDIT.**

18 “(a) IN GENERAL.—For purposes of section 38, in  
 19 the case of an eligible contractor, the credit determined  
 20 under this section for the taxable year is an amount equal  
 21 to the credit amount specified in the following table for  
 22 a new, highly energy-efficient principal residence:

<b>“New, highly energy-efficient principal residence:</b>	<b>Credit amount:</b>
30 percent property .....	\$1,250
50 percent property .....	\$2,500.

1       “(b) HIGHLY ENERGY-EFFICIENT PRINCIPAL RESI-  
2 DENCE.—For purposes of this section—

3           “(1) IN GENERAL.—The term ‘highly energy-ef-  
4 ficient principal residence’ means a dwelling—

5               “(A) located in the United States,

6               “(B) the construction of which is substan-  
7 tially completed after December 31, 2001,

8               “(C) the original use of which is as a prin-  
9 cipal residence (within the meaning of section  
10 121) which commences with the person who ac-  
11 quires such dwelling from the eligible con-  
12 tractor, and

13               “(D) which is certified before such use  
14 commences as being 50 percent property or 30  
15 percent property.

16           “(2) 50 OR 30 PERCENT PROPERTY.—

17               “(A) IN GENERAL.—For purposes of para-  
18 graph (1), property is 50 percent property or  
19 30 percent property if the projected heating and  
20 cooling energy usage of such property, meas-  
21 ured in terms of average annual energy cost to  
22 taxpayer, is reduced by 50 percent, or 30 per-  
23 cent, respectively, in comparison to the energy  
24 usage of the standard design reference house as

1 determined using the procedures under sub-  
2 paragraph (D).

3 “(B) STANDARD DESIGN REFERENCE  
4 HOUSE.—For purposes of this subsection, the  
5 term ‘standard design reference house’ means a  
6 dwelling which conforms with the standards of  
7 chapter 4 of the 2000 International Energy  
8 Conservation Code of the International Code  
9 Council and the minimum equipment efficiency  
10 standards promulgated by the Department of  
11 Energy under the National Appliance Energy  
12 Conservation Act.

13 “(C) ENERGY EFFICIENT REFERENCE  
14 HOUSE.—For purposes of this paragraph, the  
15 term ‘energy efficient reference house’ means a  
16 design of a dwelling which uses the same heat-  
17 ing fuel type as the proposed design and which  
18 uses minimum standards equipment, as re-  
19 quired by the Department of Energy under the  
20 National Appliance Energy Conservation Act  
21 and which achieves, on average over fuel type  
22 and house geometry, the required 30 percent or  
23 50 percent reductions in annual energy cost as  
24 calculated using the procedures under subpara-  
25 graph (D).

1 “(D) PROCEDURES.—

2 “(i) IN GENERAL.—For purposes of  
3 subparagraph (A), energy usage shall be  
4 demonstrated either by a component-based  
5 approach or a performance-based ap-  
6 proach.

7 “(ii) COMPONENT APPROACH.—Com-  
8 pliance by the component approach is  
9 achieved when all of the components of the  
10 house comply with the requirements of pre-  
11 scriptive packages established by the Sec-  
12 retary of Energy, in consultation with the  
13 Administrator of the Environmental Pro-  
14 tection Agency, such that they are equiva-  
15 lent, for the strong majority of houses  
16 which can use this method, to the results  
17 of using the performance-based approach  
18 of clause (iii) to achieve the required re-  
19 duction in energy usage.

20 “(iii) PERFORMANCE-BASED AP-  
21 PROACH.—Performance-based compliance  
22 shall be demonstrated in terms of equiva-  
23 lent or less energy usage when compared  
24 to the energy efficient reference house of  
25 the same heating fuel type as the dwelling

1 concerned or through an alternate method  
2 prescribed by the Secretary which yields  
3 equivalent results.

4 “(iv) COMPUTER SOFTWARE.—Com-  
5 puter software shall be used in support of  
6 performance-based compliance under  
7 clause (iii) and such software shall meet all  
8 of the procedures and methods for calcu-  
9 lating energy savings reductions that are  
10 promulgated by the Secretary of Energy.  
11 Such regulations on the specifications for  
12 software and verification protocols shall be  
13 based on the 1998 California Residential  
14 Alternative Calculation Method Approval  
15 Manual.

16 “(v) FUEL PARITY.—In the case of  
17 both the component and the performance-  
18 based approaches, and any software used  
19 in support of either such approach, the  
20 Secretary shall assure fuel parity by re-  
21 quiring both the energy efficient reference  
22 house and the prescriptive package under  
23 clause (ii) to employ the same envelope en-  
24 ergy efficiency measures for a house heat-  
25 ed by a gas furnace as for a house heated

1 by an electric air source heat pump or by  
2 an oil furnace or boiler; and, for equipment  
3 efficiency, to employ electric, oil, or gas  
4 equipment efficiency of corresponding effi-  
5 ciency improvement. Such determination of  
6 corresponding efficiency improvement shall  
7 be made on a linear scale between the min-  
8 imum standard equipment efficiency and  
9 the best available marketplace technology  
10 efficiency as determined by the Secretary  
11 after considering the information provided  
12 by the Air Conditioning and Refrigeration  
13 Institute (ARI) and the Gas Appliance  
14 Manufacturers Association (GAMA) guides  
15 for the respective electric, oil, and natural  
16 gas equipment of such type (such as heat-  
17 ing and cooling).

18 “(vi) APPROVAL OF SOFTWARE SUB-  
19 MISSIONS.—The Secretary shall approve  
20 software submissions that comply with the  
21 calculation requirements of clause (iv).

22 “(vii) PROCEDURES FOR INSPECTION  
23 AND TESTING OF HOMES.—The Secretary  
24 shall ensure that procedures for the inspec-  
25 tion and testing for compliance comply

1                   with the calculation requirements under  
2                   clause (iv).

3                   “(3) DETERMINATIONS OF COMPLIANCE.—A  
4                   determination of compliance made for the purposes  
5                   of this subsection shall be filed with the Secretary  
6                   within 1 year after the date of such determination  
7                   and shall include the TIN of the certifier, the ad-  
8                   dress of the building in compliance, and the identity  
9                   of the person for whom such determination was per-  
10                  formed. Determinations of compliance filed with the  
11                  Secretary shall be available for inspection by the  
12                  Secretary of Energy.

13                  “(4) COMPLIANCE.—

14                   “(A) IN GENERAL.—The Secretary, in con-  
15                   sultation with the Secretary of Energy shall es-  
16                   tablish requirements for certification and com-  
17                   pliance procedures after examining the require-  
18                   ments for energy consultants and home energy  
19                   ratings providers specified by the Mortgage In-  
20                   dustry National Accreditation Procedures for  
21                   Home Energy Rating Systems.

22                   “(B) INDIVIDUALS QUALIFIED TO DETER-  
23                   MINE COMPLIANCE.—Individuals qualified to  
24                   determine compliance shall be only those indi-  
25                   viduals who are recognized by an organization

1 certified by the Secretary for such purposes.  
2 The Secretary may qualify a Home Energy  
3 Rating Systems Organization, a local building  
4 code agency, a State or local energy office, a  
5 utility, or other organizations which meet the  
6 requirements prescribed under this section.

7 “(5) FORM PROVIDED TO BUYER.—

8 “(A) IN GENERAL.—A form documenting  
9 the energy-efficiency of the dwelling, including  
10 the rated energy efficiency performance of  
11 equipment installed in the dwelling, shall be  
12 provided to the buyer of the dwelling. The form  
13 shall include labeled R-value for insulation  
14 products, NFRC-labeled U-factor and Solar  
15 Heat Gain Coefficient for windows, skylights,  
16 and doors, labeled AFUE ratings for furnaces  
17 and boilers, labeled HSPF ratings for electric  
18 heat pumps, and labeled SEER ratings for air  
19 conditioners.

20 “(B) RATINGS LABEL AFFIXED IN DWELL-  
21 ING.—A permanent label documenting the rat-  
22 ings in subparagraph (A) shall be affixed to the  
23 front of the electrical distribution panel of the  
24 dwelling, or shall be otherwise permanently dis-



1           played in a readily inspectable location in the  
2           dwelling.

3           “(c) ADDITIONAL DEFINITIONS.—For purposes of  
4 this section—

5           “(1) ELIGIBLE CONTRACTOR.—The term ‘eligi-  
6 ble contractor’ means the person who constructed  
7 the new energy-efficient home, or in the case of a  
8 manufactured home which conforms to Federal  
9 Manufactured Home Construction and Safety Stand-  
10 ards (24 C.F.R. 3280), the manufactured home pro-  
11 ducer of such home.

12           “(2) CONSTRUCTION.—The term ‘construction’  
13 includes reconstruction and rehabilitation.

14           “(3) ACQUIRE.—The term ‘acquire’ includes  
15 purchase and, in the case of reconstruction and re-  
16 habilitation, such term includes a binding written  
17 contract for such reconstruction or rehabilitation.

18           “(4) MANUFACTURED HOME INCLUDED.—The  
19 term ‘dwelling’ includes a manufactured home con-  
20 forming to Federal Manufactured Home Construc-  
21 tion and Safety Standards (24 C.F.R. 3280).

22           “(d) COORDINATION WITH OTHER CREDITS.—Prop-  
23 erty which would, but for this paragraph, be eligible for  
24 credit under more than one provision of this section shall

1 be eligible only under one such provision, the provision  
2 specified by the taxpayer.

3 “(e) BASIS ADJUSTMENT.—For purposes of this sub-  
4 title, if a credit is allowed under this section for any ex-  
5 penditure with respect to any property, the increase in the  
6 basis of such property which would (but for this sub-  
7 section) result from such expenditure shall be reduced by  
8 the amount of the credit so allowed.

9 “(f) TERMINATION.—Subsection (a) shall apply to  
10 dwellings purchased during the period beginning on Janu-  
11 ary 1, 2001, and ending on December 31, 2005.”

12 (b) CREDIT MADE PART OF GENERAL BUSINESS  
13 CREDIT.—Section 38(b) (relating to current year business  
14 credit), as amended by section 202, is amended by striking  
15 “plus” at the end of paragraph (15), by striking the period  
16 at the end of paragraph (16) and inserting “, plus”, and  
17 by adding at the end the following:

18 “(17) the new highly energy-efficient home  
19 credit determined under section 45E.”

20 (c) DENIAL OF DOUBLE BENEFIT.—Section 280C  
21 (relating to certain expenses for which credits are allow-  
22 able) is amended by adding at the end the following:

23 “(d) NEW ENERGY-EFFICIENT HOME EXPENSES.—  
24 No deduction shall be allowed for that portion of expenses  
25 for a new highly energy-efficient home otherwise allowable

1 as a deduction for the taxable year which is equal to the  
2 amount of the credit determined for such taxable year  
3 under section 45E.”.

4 (d) CREDIT ALLOWED AGAINST REGULAR AND MIN-  
5 IMUM TAX.—

6 (1) IN GENERAL.—Section 38(c) (relating to  
7 limitation based on amount of tax), as amended by  
8 section 102, is amended by redesignating paragraph  
9 (4) as paragraph (5) and by inserting after para-  
10 graph (3) the following new paragraph:

11 “(4) SPECIAL RULES FOR NEW ENERGY EFFI-  
12 CIENT HOME CREDIT.—

13 “(A) IN GENERAL.—In the case of the new  
14 energy efficient home credit—

15 “(i) this section and section 39 shall  
16 be applied separately with respect to the  
17 credit, and

18 “(ii) in applying paragraph (1) to the  
19 credit—

20 “(I) subparagraphs (A) and (B)  
21 thereof shall not apply, and

22 “(II) the limitation under para-  
23 graph (1) (as modified by subclause  
24 (I)) shall be reduced by the credit al-  
25 lowed under subsection (a) for the

1 taxable year (other than the new en-  
2 ergy efficient home credit).

3 “(B) NEW HIGHLY ENERGY EFFICIENT  
4 HOME CREDIT.—For purposes of this sub-  
5 section, the term ‘new highly energy efficient  
6 home credit’ means the credit allowable under  
7 subsection (a) by reason of section 45E.”.

8 (2) CONFORMING AMENDMENT.—Subclause (II)  
9 of section 38(c)(2)(A)(ii) is amended by inserting  
10 “or the new highly energy efficient home credit”  
11 after “employment credit”.

12 (e) LIMITATION ON CARRYBACK.—Section 39(d) (re-  
13 lating to transition rules), as amended by section 202, is  
14 amended by adding at the end the following:

15 “(12) NO CARRYBACK OF NEW HIGHLY EN-  
16 ERGY-EFFICIENT HOME CREDIT BEFORE EFFECTIVE  
17 DATE.—No portion of the unused business credit for  
18 any taxable year which is attributable to the credit  
19 determined under section 45E may be carried back  
20 to any taxable year ending before January 1,  
21 2001.”.

22 (f) DEDUCTION FOR CERTAIN UNUSED BUSINESS  
23 CREDITS.—Subsection (c) of section 196 is amended by  
24 striking “and” at the end of paragraph (7), by striking

1 the period at the end of paragraph (8) and inserting “,  
2 and”, and by adding after paragraph (8) the following:

3 “(9) the new highly energy-efficient home credit  
4 determined under section 45E.”.

5 (g) CLERICAL AMENDMENT.—The table of sections  
6 for subpart D of part IV of subchapter A of chapter 1  
7 is amended by inserting after the item relating to section  
8 45D the following:

“Sec. 45E. New highly energy-efficient home credit.”.

9 (h) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years ending after De-  
11 cember 31, 2001.

12 **SEC. 303. CREDIT FOR ENERGY EFFICIENT APPLIANCES.**

13 (a) IN GENERAL.—Subpart D of part IV of sub-  
14 chapter A of chapter 1 (relating to business-related cred-  
15 its), as amended by section 302, is amended by adding  
16 at the end the following new section:

17 **“SEC. 45F. ENERGY EFFICIENT APPLIANCE CREDIT.**

18 “(a) GENERAL RULE.—For purposes of section 38,  
19 the energy efficient appliance credit determined under this  
20 section for the taxable year is an amount equal to the ap-  
21 plicable amount determined under subsection (b) with re-  
22 spect to qualified energy efficient appliances produced by  
23 the taxpayer during the calendar year ending with or with-  
24 in the taxable year.

1       “(b) APPLICABLE AMOUNT.—For purposes of sub-  
2 section (a), the applicable amount determined under this  
3 subsection with respect to a taxpayer is the sum of—

4               “(1) in the case of an energy efficient clothes  
5 washer described in subsection (d)(2)(A) or an en-  
6 ergy efficient refrigerator described in subsection  
7 (d)(3)(B)(i), an amount equal to—

8                       “(A) \$50, multiplied by

9                       “(B) the number of such washers and re-  
10 frigerators produced by the taxpayer during  
11 such calendar year, and

12               “(2) in the case of an energy efficient clothes  
13 washer described in subsection (d)(2)(B) or an en-  
14 ergy efficient refrigerator described in subsection  
15 (d)(3)(B)(ii), an amount equal to—

16                       “(A) \$100, multiplied by

17                       “(B) the number of such washers and re-  
18 frigerators produced by the taxpayer during  
19 such calendar year.

20       “(c) LIMITATION ON MAXIMUM CREDIT.—

21               “(1) IN GENERAL.—The maximum amount of  
22 credit allowed under subsection (a) with respect to  
23 a taxpayer for all taxable years shall be—

24                       “(A) \$30,000,000 with respect to the cred-  
25 it determined under subsection (b)(1), and

1           “(B) \$30,000,000 with respect to the cred-  
2           it determined under subsection (b)(2).

3           “(2) LIMITATION BASED ON GROSS RE-  
4           CEIPTS.—The credit allowed under subsection (a)  
5           with respect to a taxpayer for the taxable year shall  
6           not exceed an amount equal to 2 percent of the aver-  
7           age annual gross receipts of the taxpayer for the 3  
8           taxable years preceding the taxable year in which  
9           the credit is determined.

10           “(3) GROSS RECEIPTS.—For purposes of this  
11           subsection, the rules of paragraphs (2) and (3) of  
12           section 448(c) shall apply.

13           “(d) QUALIFIED ENERGY EFFICIENT APPLIANCE.—  
14           For purposes of this section—

15           “(1) IN GENERAL.—The term ‘qualified energy  
16           efficient appliance’ means—

17                   “(A) an energy efficient clothes washer, or

18                   “(B) an energy efficient refrigerator.

19           “(2) ENERGY EFFICIENT CLOTHES WASHER.—  
20           The term ‘energy efficient clothes washer’ means a  
21           residential clothes washer, including a residential  
22           style coin operated washer, which is manufactured  
23           with—

1           “(A) a 1.26 Modified Energy Factor (re-  
2           ferred to in this paragraph as ‘MEF’) (as de-  
3           termined by the Secretary of Energy), or

4           “(B) a 1.42 MEF (as determined by the  
5           Secretary of Energy) (1.5 MEF for calendar  
6           years beginning after 2004).

7           “(3) ENERGY EFFICIENT REFRIGERATOR.—The  
8           term ‘energy efficient refrigerator’ means an auto-  
9           matic defrost refrigerator-freezer which—

10           “(A) has an internal volume of at least  
11           16.5 cubic feet, and

12           “(B) consumes—

13           “(i) 10 percent less kw/hr/yr than the  
14           energy conservation standards promulgated  
15           by the Department of Energy for such re-  
16           frigerator for 2001, or

17           “(ii) 15 percent less kw/hr/yr than  
18           such energy conservation standards.

19           “(e) SPECIAL RULES.—

20           “(1) IN GENERAL.—Rules similar to the rules  
21           of subsections (c), (d), and (e) of section 52 shall  
22           apply for purposes of this section.

23           “(2) AGGREGATION RULES.—All persons treat-  
24           ed as a single employer under subsection (a) or (b)  
25           of section 52 or subsection (m) or (o) of section 414



1 shall be treated as one person for purposes of sub-  
2 section (a).

3 “(f) VERIFICATION.—The taxpayer shall submit such  
4 information or certification as the Secretary, in consulta-  
5 tion with the Secretary of Energy, determines necessary  
6 to claim the credit amount under subsection (a).

7 “(g) TERMINATION.—This section shall not apply to  
8 qualified energy efficient appliances produced in calendar  
9 years beginning after 2006.”.

10 (b) LIMITATION ON CARRYBACK.—Section 39(d) (re-  
11 lating to transition rules), as amended by section 302, is  
12 amended by adding at the end the following new para-  
13 graph:

14 “(13) NO CARRYBACK OF ENERGY EFFICIENT  
15 APPLIANCE CREDIT BEFORE EFFECTIVE DATE.—No  
16 portion of the unused business credit for any taxable  
17 year which is attributable to the energy efficient ap-  
18 pliance credit determined under section 45F may be  
19 carried to a taxable year ending before the date of  
20 the enactment of section 45F.”.

21 (c) CONFORMING AMENDMENT.—Section 38(b) (re-  
22 lating to general business credit), as amended by section  
23 302, is amended by striking “plus” at the end of para-  
24 graph (16), by striking the period at the end of paragraph

1 (17) and inserting “, plus”, and by adding at the end the  
2 following new paragraph:

3 “(18) the energy efficient appliance credit de-  
4 termined under section 45F(a).”.

5 (d) CLERICAL AMENDMENT.—The table of sections  
6 for subpart D of part IV of subchapter A of chapter 1,  
7 as amended by section 302, is amended by inserting after  
8 the item relating to section 45E the following new item:

“Sec. 45F. Energy efficient appliance credit.”.

9 (e) EFFECTIVE DATE.—The amendments made by  
10 this section shall apply to taxable years beginning after  
11 December 31, 2001.

12 **SEC. 304. CREDIT FOR ADJUSTABLE SPEED DRIVES.**

13 (a) IN GENERAL.—Subparagraph (A) of section  
14 48A(c)(1) (defining energy property), as added by section  
15 401 and amended by section 206, is amended by striking  
16 “or” at the end of clause (vii), by adding “or” at the end  
17 of clause (viii), and by inserting after clause (viii) the fol-  
18 lowing new clause:

19 “(ix) adjustable speed drive prop-  
20 erty,”.

21 (b) ADJUSTABLE SPEED DRIVE PROPERTY.—Sub-  
22 section (d) of section 48A, as so added, is amended by  
23 adding at the end the following new paragraph:

24 “(9) ADJUSTABLE SPEED DRIVE PROPERTY.—

1           “(A) IN GENERAL.—The term ‘adjustable  
2 speed drive property’ means equipment installed  
3 as part of an electric motor driven system of 10  
4 horsepower or greater—

5           “(i) that is used to adjust the speed  
6 of the electric motor drive output to the re-  
7 quirements of a fluctuating load, and

8           “(ii) that achieves an energy savings  
9 of at least 20 percent during a complete  
10 cycle of operation.

11          “(B) LIMITATION.—In the case of adjust-  
12 able speed drive property placed in service dur-  
13 ing the taxable year, the credit under sub-  
14 section (a) for such year may not exceed  
15 \$10,000 for each item of such property.

16          “(C) COORDINATION WITH DEDUCTION  
17 FOR ENERGY-EFFICIENT COMMERCIAL BUILD-  
18 ING PROPERTY.—The energy percentage shall  
19 apply to the basis of adjustable speed drive  
20 property after adjustment under section  
21 1016(a)(31).”.

22 **SEC. 305. CREDIT FOR ENERGY EFFICIENT RECYCLING OR**  
23 **REMANUFACTURING EQUIPMENT.**

24          (a) IN GENERAL.—Section 46 (relating to amount of  
25 investment credit) is amended by striking “and” at the

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

4 “(4) the reclamation credit.”

5 (b) RECLAMATION CREDIT.—Section 48 (relating to  
6 energy credit and reforestation credit), as amended by sec-  
7 tion 401, is amended by adding at the end the following  
8 new subsection:

9 “(c) RECLAMATION CREDIT.—

10 “(1) IN GENERAL.—For purposes of section 46,  
11 the reclamation credit for any taxable year is 20  
12 percent of the basis of each qualified reclamation  
13 property placed in service during the taxable year.

14 “(2) QUALIFIED RECLAMATION PROPERTY.—

15 “(A) IN GENERAL.—For purposes of this  
16 section, the term ‘qualified reclamation prop-  
17 erty’ means property—

18 “(i) which is qualified recycling prop-  
19 erty or qualified remanufacturing property,

20 “(ii) which is tangible property (not  
21 including a building and its structural  
22 components),

23 “(iii) with respect to which deprecia-  
24 tion (or amortization in lieu of deprecia-  
25 tion) is allowable,

1 “(iv) which has a useful life of at least  
2 5 years, and

3 “(v) which is—

4 “(I) acquired by purchase (as de-  
5 fined in section 179(d)(2)) by the tax-  
6 payer if the original use of such prop-  
7 erty commences with the taxpayer, or

8 “(II) constructed by or for the  
9 taxpayer.

10 “(B) DOLLAR LIMITATION.—

11 “(i) IN GENERAL.—The basis of quali-  
12 fied reclamation property taken into ac-  
13 count under paragraph (1) for any taxable  
14 year shall not exceed \$10,000,000 for a  
15 taxpayer.

16 “(ii) TREATMENT OF CONTROLLED  
17 GROUP.—For purposes of clause (i)—

18 “(I) all component members of a  
19 controlled group shall be treated as  
20 one taxpayer, and

21 “(II) the Secretary shall appor-  
22 tion the dollar limitation in such  
23 clause among the component members  
24 of such controlled group in such man-

1                   ner as he shall by regulation pre-  
2                   scribe.

3                   “(iii) TREATMENT OF PARTNERSHIPS  
4                   AND S CORPORATIONS.—In the case of a  
5                   partnership, the dollar limitation in clause  
6                   (i) shall apply with respect to the partner-  
7                   ship and with respect to each partner. A  
8                   similar rule shall apply in the case of an  
9                   S corporation and its shareholders.

10                  “(iv) CONTROLLED GROUP DE-  
11                  FINED.—For purposes of clause (ii), the  
12                  term ‘controlled group’ has the meaning  
13                  given such term by section 1563(a), except  
14                  that ‘more than 50 percent’ shall be sub-  
15                  stituted for ‘at least 80 percent’ each place  
16                  it appears in section 1563(a)(1).

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

23                  “(4) DEFINITIONS.—For purposes of this  
24                  subsection—

1           “(A) QUALIFIED RECYCLING PROPERTY.—  
2           The term ‘qualified recycling property’ means  
3           equipment used exclusively to collect, distribute,  
4           or sort used ferrous or nonferrous metals. The  
5           term does not include equipment used to collect,  
6           distribute, or sort precious metals such as gold,  
7           silver, or platinum unless such use is coinci-  
8           dental to the collection, distribution, or sorting  
9           of other used ferrous or nonferrous metals.

10           “(B) QUALIFIED REMANUFACTURING  
11           PROPERTY.—The term ‘qualified remanufac-  
12           turing property’ means equipment used pri-  
13           marily by the taxpayer in the business of re-  
14           building or remanufacturing a used product or  
15           part, but only if—

16                   “(i) the rebuilt or remanufactured  
17                   product or part includes 50 percent or less  
18                   virgin material, and

19                   “(ii) the equipment is not used pri-  
20                   marily in a process occurring after the  
21                   product or part is rebuilt or remanufac-  
22                   tured.

23           “(5) COORDINATION WITH REHABILITATION  
24           AND ENERGY CREDITS.—For purposes of this  
25           section—

1           “(A) the basis of any qualified reclamation  
 2           property shall be reduced by that portion of the  
 3           basis of any property which is attributable to  
 4           qualified rehabilitation expenditures (as defined  
 5           in section 47(c)(2)) or to the energy percentage  
 6           of energy property (as determined under section  
 7           48A), and

8           “(B) expenditures taken into account  
 9           under either section 47 or 48A shall not be  
 10          taken into account under this section.”.

11          (c) SPECIAL BASIS ADJUSTMENT RULE.—Paragraph  
 12          (3) of section 50(c) (relating to basis adjustment to invest-  
 13          ment credit property) is amended by striking “energy  
 14          credit or reforestation credit” and inserting “energy cred-  
 15          it, reforestation credit, or reclamation credit”.

16          (d) CLERICAL AMENDMENTS.—

17                 (1) The section heading for section 48, as  
 18                 amended by section 401, is amended to read as fol-  
 19                 lows:

20                 **“SEC. 48. REFORESTATION CREDIT; RECLAMATION CRED-  
 21                 IT.”**

22                 (2) The item relating to section 48 in the table  
 23                 of sections for subpart E of part IV of subchapter  
 24                 A of chapter 1 is amended to read as follows:

                  “Sec. 48. Reforestation credit; reclamation credit.”



1 (e) EFFECTIVE DATE.—The amendments made by  
 2 this section shall apply to property placed in service after  
 3 December 31, 2001.

4 **TITLE IV—DEMAND MANAGE-**  
 5 **MENT AND DISTRIBUTED EN-**  
 6 **ERGY GENERATION**

7 **SEC. 401. CREDIT FOR DISTRIBUTED ENERGY GENERATION**  
 8 **AND DEMAND MANAGEMENT PROPERTY**  
 9 **USED IN BUSINESS.**

10 (a) IN GENERAL.—Subpart E of part IV of sub-  
 11 chapter A of chapter 1 (relating to rules for computing  
 12 investment credit) is amended by inserting after section  
 13 48 the following:

14 **“SEC. 48A. ENERGY CREDIT.**

15 “(a) IN GENERAL.—For purposes of section 46, the  
 16 energy credit for any taxable year is the energy percentage  
 17 of the basis of each energy property placed in service dur-  
 18 ing such taxable year.

19 “(b) ENERGY PERCENTAGE.—

20 “(1) IN GENERAL.—The energy percentage is—

21 “(A) except as otherwise provided in this  
 22 subparagraph, 10 percent,

23 “(B) in the case of energy property de-  
 24 scribed in clauses (i), (iii), and (vi) of sub-  
 25 section (c)(1)(A), 20 percent,

1           “(C) in the case of energy property de-  
2           scribed in subsection (c)(1)(A)(v), 15 percent,  
3           and

4           “(D) in the case of energy property de-  
5           scribed in subsection (c)(1)(A)(ii) relating to a  
6           high risk geothermal well, 20 percent.

7           “(2) COORDINATION WITH REHABILITATION.—  
8           The energy percentage shall not apply to that por-  
9           tion of the basis of any property which is attrib-  
10          utable to qualified rehabilitation expenditures.

11          “(c) ENERGY PROPERTY DEFINED.—

12           “(1) IN GENERAL.—For purposes of this sub-  
13          part, the term ‘energy property’ means any  
14          property—

15           “(A) which is—

16           “(i) solar energy property,

17           “(ii) geothermal energy property,

18           “(iii) energy-efficient building prop-  
19          erty other than property described in  
20          clauses (iii)(I) and (v)(I) of subsection  
21          (d)(3)(A),

22           “(iv) combined heat and power system  
23          property,

24           “(v) low core loss distribution trans-  
25          former property, or

1                   “(vi) qualified anaerobic digester  
2                   property, or

3                   “(B)(i) the construction, reconstruction, or  
4                   erection of which is completed by the taxpayer,  
5                   or

6                   “(ii) which is acquired by the taxpayer if  
7                   the original use of such property commences  
8                   with the taxpayer.

9                   “(C) which can reasonably be expected to  
10                  remain in operation for at least 5 years,

11                  “(D) with respect to which depreciation (or  
12                  amortization in lieu of depreciation) is allow-  
13                  able, and

14                  “(E) which meets the performance and  
15                  quality standards (if any) which—

16                         “(i) have been prescribed by the Sec-  
17                         retary by regulations (after consultation  
18                         with the Secretary of Energy), and

19                         “(ii) are in effect at the time of the  
20                         acquisition of the property.

21                  “(2) EXCEPTION FOR PUBLIC UTILITY PROP-  
22                  ERTY.—Such term shall not include any property  
23                  which is public utility property (as defined in section  
24                  46(f)(5) as in effect on the day before the date of  
25                  the enactment of the Revenue Reconciliation Act of

1 1990), except for property described in paragraph  
2 (1)(A)(iv).

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

5 “(1) SOLAR ENERGY PROPERTY.—

6 “(A) IN GENERAL.—The term ‘solar en-  
7 ergy property’ means equipment which uses  
8 solar energy to generate electricity, to heat or  
9 cool (or provide hot water for use in) a struc-  
10 ture, or to provide solar process heat.

11 “(B) SWIMMING POOLS, ETC. USED AS  
12 STORAGE MEDIUM.—The term ‘solar energy  
13 property’ shall not include property with respect  
14 to which expenditures are properly allocable to  
15 a swimming pool, hot tub, or any other energy  
16 storage medium which has a function other  
17 than the function of such storage.

18 “(C) SOLAR PANELS.—No solar panel or  
19 other property installed as a roof (or portion  
20 thereof) shall fail to be treated as solar energy  
21 property solely because it constitutes a struc-  
22 tural component of the structure on which it is  
23 installed.

24 “(2) GEOTHERMAL ENERGY PROPERTY.—

1           “(A) IN GENERAL.—The term ‘geothermal  
2 energy property’ means equipment used to  
3 produce, distribute, or use energy derived from  
4 a geothermal deposit (within the meaning of  
5 section 613(e)(2)), but only, in the case of elec-  
6 tricity generated by geothermal power, up to  
7 (but not including) the electrical transmission  
8 stage.

9           “(B) HIGH RISK GEOTHERMAL WELL.—  
10 The term ‘high risk geothermal well’ means a  
11 geothermal deposit (within the meaning of sec-  
12 tion 613(e)(2)) which requires high risk drilling  
13 techniques. Such deposit may not be located in  
14 a State or national park or in an area in which  
15 the relevant State park authority or the Na-  
16 tional Park Service determines the development  
17 of such a deposit will negatively impact on a  
18 State or national park.

19           “(3) ENERGY-EFFICIENT BUILDING PROP-  
20 ERTY.—

21           “(A) IN GENERAL.—The term ‘energy-effi-  
22 cient building property’ means—

23                   “(i) a fuel cell which—

24                           “(I) generates electricity using  
25 an electrochemical process,

1                   “(II) has an electricity-only gen-  
2                   eration efficiency greater than 30 per-  
3                   cent, and

4                   “(III) has a minimum generating  
5                   capacity of 1 kilowatt,

6                   “(ii) an electric heat pump hot water  
7                   heater which yields an energy factor of 1.7  
8                   or greater under test procedures prescribed  
9                   by the Secretary of Energy,

10                  “(iii)(I) an electric heat pump which  
11                  has a heating system performance factor  
12                  (HSPF) of at least 8.5 but less than 9 and  
13                  a cooling seasonal energy efficiency ratio  
14                  (SEER) of at least 13.5 but less than 15  
15                  and an energy efficiency ratio (EER) of at  
16                  least 11.5,

17                  “(II) an electric heat pump which has  
18                  a heating system performance factor  
19                  (HSPF) of 9 or greater and a cooling sea-  
20                  sonal energy efficiency ratio (SEER) of 15  
21                  or greater and an energy efficiency ratio  
22                  (EER) of at least 12.5,

23                  “(iv) a natural gas heat pump which  
24                  has a coefficient of performance of not less

1 than 1.25 for heating and not less than  
2 0.70 for cooling,

3 “(v)(I) a central air conditioner which  
4 has a cooling seasonal energy efficiency  
5 ratio (SEER) of at least 13.5 but less than  
6 15 and an energy efficiency ratio (EER) of  
7 at least 11.5,

8 “(II) a central air conditioner which  
9 has a cooling seasonal energy efficiency  
10 ratio (SEER) of 15 or greater and an en-  
11 ergy efficiency ratio (EER) of at least  
12 12.5,

13 “(vi) an advanced natural gas water  
14 heater which—

15 “(I) increases steady state effi-  
16 ciency and reduces standby and vent  
17 losses, and

18 “(II) has an energy factor of at  
19 least 0.65, and

20 “(vii) an advanced natural gas fur-  
21 nace which achieves a 90 percent AFUE  
22 and rated for seasonal electricity use of  
23 less than 300 kWh per year.

1           “(B) LIMITATIONS.—The credit under sub-  
2 section (a) for the taxable year may not  
3 exceed—

4           “(i) \$500 in the case of property de-  
5 scribed in subparagraph (A) other than  
6 clauses (i) and (iv) thereof,

7           “(ii) \$500 for each kilowatt of capac-  
8 ity in the case of any fuel cell described in  
9 subparagraph (A)(i), and

10           “(iii) \$3,000 in the case of any nat-  
11 ural gas heat pump described in subpara-  
12 graph (A)(iv).

13           “(4) COMBINED HEAT AND POWER SYSTEM  
14 PROPERTY.—

15           “(A) IN GENERAL.—The term ‘combined  
16 heat and power system property’ means  
17 property—

18           “(i) comprising a system for the same  
19 energy source for the simultaneous or se-  
20 quential generation of electrical power, me-  
21 chanical shaft power, or both, in combina-  
22 tion with steam, heat, or other forms of  
23 useful energy,

24           “(ii) which has an electrical capacity  
25 of more than 20 kilowatts or a mechanical



1 energy capacity of more than 67 horse-  
2 power or an equivalent combination of elec-  
3 trical and mechanical energy capacities,

4 “(iii) which produces—

5 “(I) at least 20 percent of its  
6 total useful energy in the form of  
7 thermal energy, and

8 “(II) at least 20 percent of its  
9 total useful energy in the form of elec-  
10 trical or mechanical power (or a com-  
11 bination thereof), and

12 “(iv) the energy efficiency percentage  
13 of which exceeds—

14 “(I) 60 percent in the case of a  
15 system with an electrical capacity of  
16 less than 1 megawatt),

17 “(II) 65 percent in the case of a  
18 system with an electrical capacity of  
19 not less than 1 megawatt and not in  
20 excess of 50 megawatts), and

21 “(III) 70 percent in the case of a  
22 system with an electrical capacity in  
23 excess of 50 megawatts).

24 “(B) SPECIAL RULES.—

1           “(i) ENERGY EFFICIENCY PERCENT-  
2           AGE.—For purposes of subparagraph  
3           (A)(iv), the energy efficiency percentage of  
4           a system is the fraction—

5                   “(I) the numerator of which is  
6                   the total useful electrical, thermal,  
7                   and mechanical power produced by  
8                   the system at normal operating rates,  
9                   and

10                   “(II) the denominator of which is  
11                   the lower heating value of the primary  
12                   fuel source for the system.

13           “(ii) DETERMINATIONS MADE ON BTU  
14           BASIS.—The energy efficiency percentage  
15           shall be determined on a Btu basis.

16           “(iii) INPUT AND OUTPUT PROPERTY  
17           NOT INCLUDED.—The term ‘combined heat  
18           and power system property’ does not in-  
19           clude property used to transport the en-  
20           ergy source to the facility or to distribute  
21           energy produced by the facility.

22           “(iv) ACCOUNTING RULE FOR PUBLIC  
23           UTILITY PROPERTY.—If the combined heat  
24           and power system property is public utility  
25           property (as defined in section 46(f)(5) as

1           in effect on the day before the date of the  
2           enactment of the Revenue Reconciliation  
3           Act of 1990), the taxpayer may only claim  
4           the credit under subsection (a)(1) if, with  
5           respect to such property, the taxpayer uses  
6           a normalization method of accounting.

7           “(5) LOW CORE LOSS DISTRIBUTION TRANS-  
8           FORMER PROPERTY.—The term ‘low core loss dis-  
9           tribution transformer property’ means a distribution  
10          transformer that has an efficiency rating based on  
11          the National Electrical Manufacturers Association  
12          (NEMA) TP–2 test procedure equal to or  
13          exceeding—

14                 “(A) the NEMA TP–1 efficiency standard  
15                 for the type of transformer concerned, plus

16                 “(B) 0.5 percent of the NEMA TP–1 effi-  
17                 ciency standard.

18           “(6) QUALIFIED ANAEROBIC DIGESTER PROP-  
19           ERTY.—The term ‘qualified anaerobic digester prop-  
20           erty’ means an anaerobic digester for manure or  
21           crop waste which achieves at least 65 percent effi-  
22           ciency measured in terms of the fraction of energy  
23           input converted to electricity and useful thermal en-  
24           ergy.

1       “(e) SPECIAL RULES.—For purposes of this  
2 section—

3               “(1) SPECIAL RULE FOR PROPERTY FINANCED  
4 BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL  
5 DEVELOPMENT BONDS.—

6               “(A) REDUCTION OF BASIS.—For purposes  
7 of applying the energy percentage to any prop-  
8 erty, if such property is financed in whole or in  
9 part by—

10                       “(i) subsidized energy financing, or

11                       “(ii) the proceeds of a private activity  
12 bond (within the meaning of section 141)  
13 the interest on which is exempt from tax  
14 under section 103, the amount taken into  
15 account as the basis of such property shall  
16 not exceed the amount which (but for this  
17 subparagraph) would be so taken into ac-  
18 count multiplied by the fraction deter-  
19 mined under subparagraph (B).

20               “(B) DETERMINATION OF FRACTION.—For  
21 purposes of subparagraph (A), the fraction de-  
22 termined under this subparagraph is 1 reduced  
23 by a fraction—

24                       “(i) the numerator of which is that  
25 portion of the basis of the property which

1 is allocable to such financing or proceeds,  
2 and

3 “(ii) the denominator of which is the  
4 basis of the property.

5 “(C) SUBSIDIZED ENERGY FINANCING.—  
6 For purposes of subparagraph (A), the term  
7 ‘subsidized energy financing’ means financing  
8 provided under a Federal, State, or local pro-  
9 gram a principal purpose of which is to provide  
10 subsidized financing for projects designed to  
11 conserve or produce energy.

12 “(2) CERTAIN PROGRESS EXPENDITURE RULES  
13 MADE APPLICABLE.—Rules similar to the rules of  
14 subsections (c)(4) and (d) of section 46 (as in effect  
15 on the day before the date of the enactment of the  
16 Revenue Reconciliation Act of 1990) shall apply for  
17 purposes of this section.

18 “(f) APPLICATION OF SECTION.—This section shall  
19 apply to property placed in service after December 31,  
20 2001, and before January 1, 2007.”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Section 48 is amended to read as follows:

23 **“SEC. 48. REFORESTATION CREDIT.**

24 “(a) IN GENERAL.—For purposes of section 46, the  
25 reforestation credit for any taxable year is 20 percent of

1 the portion of the amortizable basis of any qualified timber  
2 property which was acquired during such taxable year and  
3 which is taken into account under section 194 (after the  
4 application of section 194(b)(1)).

5 “(b) DEFINITIONS.—For purposes of this subpart,  
6 the terms ‘amortizable basis’ and ‘qualified timber prop-  
7 erty’ have the respective meanings given to such terms by  
8 section 194.”.

9 (2) Section 39(d), as amended by section 303,  
10 is amended by adding at the end the following:

11 “(14) NO CARRYBACK OF ENERGY CREDIT BE-  
12 FORE EFFECTIVE DATE.—No portion of the unused  
13 business credit for any taxable year which is attrib-  
14 utable to the energy credit determined under section  
15 48A may be carried back to a taxable year ending  
16 before January 1, 2002.”.

17 (3) Section 280C, as amended by section 302,  
18 is amended by adding at the end the following:

19 “(e) CREDIT FOR ENERGY PROPERTY EXPENSES.—

20 “(1) IN GENERAL.—No deduction shall be al-  
21 lowed for that portion of the expenses for energy  
22 property (as defined in section 48A(c)) otherwise al-  
23 lowable as a deduction for the taxable year which is  
24 equal to the amount of the credit determined for  
25 such taxable year under section 48A(a).

1           “(2) SIMILAR RULE WHERE TAXPAYER CAP-  
2           ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

3                   “(A) the amount of the credit allowable for  
4           the taxable year under section 48A (determined  
5           without regard to section 38(c)), exceeds

6                   “(B) the amount allowable as a deduction  
7           for the taxable year for expenses for energy  
8           property (determined without regard to para-  
9           graph (1)), the amount chargeable to capital  
10           account for the taxable year for such expenses  
11           shall be reduced by the amount of such excess.

12           “(3) CONTROLLED GROUPS.—Paragraph (3) of  
13           subsection (b) shall apply for purposes of this sub-  
14           section.”.

15           (4) Section 29(b)(3)(A)(i)(III) is amended by  
16           striking ‘section 48(a)(4)(C)’ and inserting ‘section  
17           48A(e)(1)(C)’.

18           (5) Section 50(a)(2)(E) is amended by striking  
19           ‘section 48(a)(5)’ and inserting ‘section 48A(e)(2)’.

20           (6) Section 168(e)(3)(B) is amended—

21                   (A) by striking clause (vi)(I) and inserting  
22           the following:

23                           “(I) is described in paragraph (1) or  
24                           (2) of section 48A(d) (or would be so de-

1           scribed if ‘solar and wind’ were substituted  
 2           for ‘solar’ in paragraph (1)(B)),”, and  
 3           (B) in the last sentence by striking “sec-  
 4           tion 48(a)(3)” and inserting “section  
 5           48A(c)(2)(A)”.

6           (c) CLERICAL AMENDMENT.—The table of sections  
 7 for subpart E of part IV of subchapter A of chapter 1  
 8 is amended by striking the item relating to section 48 and  
 9 inserting the following:

“Sec. 48. Reforestation credit.  
 “Sec. 48A. Energy credit.”.

10          (d) EFFECTIVE DATE.—The amendments made by  
 11 this section shall apply to property placed in service after  
 12 December 31, 2001, under rules similar to the rules of  
 13 section 48(m) of the Internal Revenue Code of 1986 (as  
 14 in effect on the day before the date of the enactment of  
 15 the Revenue Reconciliation Act of 1990).

16 **SEC. 402. CREDIT FOR DISTRIBUTED ENERGY GENERATION**  
 17 **AND DEMAND MANAGEMENT PROPERTY**  
 18 **USED IN RESIDENCES.**

19          (a) IN GENERAL.—Subpart A of part IV of sub-  
 20 chapter A of chapter 1 (relating to nonrefundable personal  
 21 credits) is amended by inserting after section 25B the fol-  
 22 lowing:



1 **“SEC. 25C. RESIDENTIAL DISTRIBUTED ENERGY GENERA-**  
2 **TION AND DEMAND MANAGEMENT PROP-**  
3 **ERTY.**

4 “(a) ALLOWANCE OF CREDIT.—In the case of an in-  
5 dividual, there shall be allowed as a credit against the tax  
6 imposed by this chapter for the taxable year an amount  
7 equal to the sum of—

8 “(1) 15 percent of the qualified photovoltaic  
9 property expenditures,

10 “(2) 15 percent of the qualified solar water  
11 heating property expenditures,

12 “(3) 25 percent of the qualified wind energy  
13 property expenditures, and

14 “(4) 20 percent for the qualified fuel cell prop-  
15 erty expenditures,

16 “(5) 20 percent for qualified energy-efficient  
17 building property expenditures (10 percent for ex-  
18 penditures described in subsection (c)(5)(B)),

19 made by the taxpayer during the taxable year.

20 “(b) LIMITATIONS.—

21 “(1) MAXIMUM CREDIT.—

22 “(A) SOLAR.—The credit allowed under  
23 subsection (a)(2) shall not exceed \$2,000 for  
24 each system of solar energy property.

1           “(B) WIND.—The credit allowed under  
2           subsection (a)(3) shall not exceed \$5,000 for  
3           each system of wind energy property.

4           “(C) ENERGY-EFFICIENT BUILDING PROP-  
5           PERTY.—The credit allowed under subsection  
6           (a)(5) shall not exceed \$500 for each item of  
7           energy-efficient building property.

8           “(2) TYPE OF PROPERTY.—No expenditure may  
9           be taken into account under this section unless such  
10          expenditure is made by the taxpayer for property in-  
11          stalled on or in connection with a dwelling unit  
12          which is located in the United States and which is  
13          used as a residence.

14          “(3) SAFETY CERTIFICATIONS.—No credit shall  
15          be allowed under this section for an item of property  
16          unless—

17                 “(A) in the case of solar water heating  
18                 property, such property is certified for perform-  
19                 ance and safety by the non-profit Solar Rating  
20                 Certification Corporation or a comparable enti-  
21                 ty endorsed by the government of the State in  
22                 which such property is installed, and

23                 “(B) in the case of a photovoltaic, wind en-  
24                 ergy, or fuel cell property, such property meets  
25                 appropriate fire and electric code requirements.

1           “(c) DEFINITIONS AND SPECIAL RULES RELATING  
2 TO EXPENDITURES.—For purposes of this section—

3           “(1) QUALIFIED PHOTOVOLTAIC PROPERTY EX-  
4 PENDITURE.—The term ‘qualified photovoltaic prop-  
5 erty expenditure’ means an expenditure for property  
6 which uses solar energy to generate electricity for  
7 use in a dwelling unit.

8           “(2) QUALIFIED SOLAR WATER HEATING PROP-  
9 erty expenditure.—The term ‘qualified solar  
10 water heating property expenditure’ means an ex-  
11 penditure for property which uses solar energy to  
12 heat water for use in a dwelling unit with respect to  
13 which a majority of the energy is derived from the  
14 sun.

15           “(3) QUALIFIED WIND ENERGY PROPERTY EX-  
16 PENDITURE.—The term ‘qualified wind energy prop-  
17 erty expenditure’ means an expenditure for property  
18 which uses wind energy to generate electricity for  
19 use in a dwelling unit.

20           “(4) QUALIFIED FUEL CELL PROPERTY EX-  
21 PENDITURE.—The term ‘qualified fuel cell property  
22 expenditure’ means an expenditure for property  
23 which uses an electrochemical fuel cell system to  
24 generate electricity for use in a dwelling unit.

1           “(5) QUALIFIED ENERGY-EFFICIENT BUILDING  
2 PROPERTY EXPENDITURE.—

3           “(A) IN GENERAL.—The term ‘qualified  
4 energy-efficient building property expenditure’  
5 means an expenditure for energy efficient build-  
6 ing property defined in clauses (ii), (iii), (iv),  
7 (v), (vi), and (vii) of section 48A(d)(3)(A).

8           “(B) 10 PERCENT CREDIT FOR CERTAIN  
9 PROPERTY.—For purposes of subsection (a)(5),  
10 the expenditures described in this subparagraph  
11 are expenditures for energy efficient building  
12 property defined in clauses (iii)(II) and (iv)(II)  
13 of section 48A(d)(3)(A).

14           “(6) SOLAR PANELS.—No expenditure relating  
15 to a solar panel or other property installed as a roof  
16 (or portion thereof) shall fail to be treated as prop-  
17 erty described in paragraph (1) or (2) solely because  
18 it constitutes a structural component of the struc-  
19 ture on which it is installed.

20           “(7) LABOR COSTS.—Expenditures for labor  
21 costs properly allocable to the onsite preparation, as-  
22 sembly, or original installation of the property de-  
23 scribed in paragraph (1), (2), (3), (4), or (5) and for  
24 piping or wiring to interconnect such property to the

1 dwelling unit shall be taken into account for pur-  
2 poses of this section.

3 “(8) ENERGY STORAGE MEDIUM.—Expendi-  
4 tures which are properly allocable to a swimming  
5 pool, hot tub, or any other energy storage medium  
6 which has a function other than the function of such  
7 storage shall not be taken into account for purposes  
8 of this section.

9 “(d) SPECIAL RULES.—For purposes of this  
10 section—

11 “(1) DOLLAR AMOUNTS IN CASE OF JOINT OC-  
12 CUPANCY.—In the case of any dwelling unit which is  
13 jointly occupied and used during any calendar year  
14 as a residence by 2 or more individuals the following  
15 shall apply:

16 “(A) The amount of the credit allowable  
17 under subsection (a) by reason of expenditures  
18 (as the case may be) made during such cal-  
19 endar year by any of such individuals with re-  
20 spect to such dwelling unit shall be determined  
21 by treating all of such individuals as 1 taxpayer  
22 whose taxable year is such calendar year.

23 “(B) There shall be allowable with respect  
24 to such expenditures to each of such individ-  
25 uals, a credit under subsection (a) for the tax-

1           able year in which such calendar year ends in  
2           an amount which bears the same ratio to the  
3           amount determined under subparagraph (A) as  
4           the amount of such expenditures made by such  
5           individual during such calendar year bears to  
6           the aggregate of such expenditures made by all  
7           of such individuals during such calendar year.

8           “(2) TENANT-STOCKHOLDER IN COOPERATIVE  
9           HOUSING CORPORATION.—In the case of an indi-  
10          vidual who is a tenant-stockholder (as defined in sec-  
11          tion 216) in a cooperative housing corporation (as  
12          defined in such section), such individual shall be  
13          treated as having made his tenant-stockholder’s pro-  
14          portionate share (as defined in section 216(b)(3)) of  
15          any expenditures of such corporation.

16          “(3) CONDOMINIUMS.—

17                 “(A) IN GENERAL.—In the case of an indi-  
18          vidual who is a member of a condominium man-  
19          agement association with respect to a condo-  
20          minium which such individual owns, such indi-  
21          vidual shall be treated as having made his pro-  
22          portionate share of any expenditures of such as-  
23          sociation.

24                 “(B) CONDOMINIUM MANAGEMENT ASSO-  
25          CIATION.—For purposes of this paragraph, the

1 term ‘condominium management association’  
2 means an organization which meets the require-  
3 ments of paragraph (1) of section 528(c) (other  
4 than subparagraph (E) thereof) with respect to  
5 a condominium project substantially all of the  
6 units of which are used as residences.

7 “(4) JOINT OWNERSHIP OF ITEMS OF SOLAR OR  
8 WIND ENERGY PROPERTY.—

9 “(A) IN GENERAL.—Any expenditure oth-  
10 erwise qualifying as an expenditure described in  
11 paragraph (1), (2), or (3) of subsection (c) shall  
12 not be treated as failing to so qualify merely be-  
13 cause such expenditure was made with respect  
14 to 2 or more dwelling units.

15 “(B) LIMITS APPLIED SEPARATELY.—In  
16 the case of any expenditure described in sub-  
17 paragraph (A), the amount of the credit allow-  
18 able under subsection (a) shall (subject to para-  
19 graph (1)) be computed separately with respect  
20 to the amount of the expenditure made for each  
21 dwelling unit.

22 “(5) ALLOCATION IN CERTAIN CASES.—If less  
23 than 80 percent of the use of an item is for nonbusi-  
24 ness residential purposes, only that portion of the  
25 expenditures for such item which is properly allo-

1 cable to use for nonbusiness residential purposes  
2 shall be taken into account. For purposes of this  
3 paragraph, use for a swimming pool shall be treated  
4 as use which is not for residential purposes.

5 “(6) WHEN EXPENDITURE MADE; AMOUNT OF  
6 EXPENDITURE.—

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

11 “(B) EXPENDITURES PART OF BUILDING  
12 CONSTRUCTION.—In the case of an expenditure  
13 in connection with the construction or recon-  
14 struction of a structure, such expenditure shall  
15 be treated as made when the original use of the  
16 constructed or reconstructed structure by the  
17 taxpayer begins.

18 “(C) AMOUNT.—The amount of any ex-  
19 penditure shall be the cost thereof.

20 “(7) REDUCTION OF CREDIT FOR GRANTS, TAX-  
21 EXEMPT BONDS, AND SUBSIDIZED ENERGY FINANC-  
22 ING.—The rules of section 29(b)(3) shall apply for  
23 purposes of this section.

24 “(e) BASIS ADJUSTMENTS.—For purposes of this  
25 subtitle, if a credit is allowed under this section for any



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

5 “(f) TERMINATION.—The credit allowed under this  
6 section shall not apply to taxable years beginning after  
7 December 31, 2006.”.

8 (b) CONFORMING AMENDMENTS.—

9 (1) Section 1016(a), as amended by section  
10 301(b), is amended by striking “and” at the end of  
11 paragraph (30), by striking the period at the end of  
12 paragraph (31) and inserting “; and”, and by add-  
13 ing at the end the following:

14 “(32) to the extent provided in section 25C(e),  
15 in the case of amounts with respect to which a credit  
16 has been allowed under section 25C.”.

17 (2) The table of sections for subpart A of part  
18 IV of subchapter A of chapter 1 is amended by in-  
19 serting after the item relating to section 25B the fol-  
20 lowing:

“Sec. 25C. Residential solar, wind, and fuel cell energy prop-  
erty.”.

21 (c) EFFECTIVE DATE.—The amendments made by  
22 this section shall apply to expenditures made after the  
23 date of the enactment of this Act, in taxable years ending  
24 after such date.

1 **SEC. 403. CREDIT FOR ENERGY MANAGEMENT SYSTEMS**  
2 **USING RESIDENTIAL REAL TIME METERING**  
3 **SYSTEMS.**

4 (a) CREDIT FOR ENERGY MANAGEMENT SYSTEMS.—

5 (1) IN GENERAL.—Subpart B of part IV of  
6 subchapter A of chapter 1 (relating to foreign tax  
7 credits, etc.), as amended by section 204, is amend-  
8 ed by inserting after section 30C the following new  
9 section:

10 **“SEC. 30D. CREDIT FOR ENERGY MANAGEMENT SYSTEMS.**

11 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
12 lowed as a credit against the tax imposed by this chapter  
13 for the taxable year—

14 “(1) an amount equal to \$20 for each qualified  
15 energy management device originally placed in serv-  
16 ice during the taxable year, and

17 “(2) for each qualified retrofitted meter origi-  
18 nally placed in service during the taxable year, an  
19 amount equal to the lesser of—

20 “(A) \$20, or

21 “(B) the adjusted basis of such meter.

22 “(b) DEFINITIONS.—

23 “(1) QUALIFIED ENERGY MANAGEMENT DE-  
24 VICE.—For purposes of this section, the term ‘quali-  
25 fied energy management device’ means any meter or  
26 metering device acquired and used by an electric en-

1 energy or natural gas supplier or service provider to  
2 enable consumers or others to manage their pur-  
3 chase, sale, or use of electricity or natural gas in re-  
4 sponse to energy price and usage signals.

5 “(2) QUALIFIED RETROFITTED METER.—For  
6 purposes of this section, the term ‘qualified retro-  
7 fitted meter’ means an electric energy or natural gas  
8 meter or metering device that has been modified by  
9 the addition of equipment designed to enable users  
10 to manage the purchase, sale, or use of electricity  
11 and natural gas in response to energy price and  
12 usage signals.

13 “(3) PLACED IN SERVICE.—For purposes of  
14 this section, the term ‘placed in service’ means inter-  
15 connected with other devices in a manner that per-  
16 mits reading of energy price and usage signals on at  
17 least a daily basis.

18 “(4) COST OF METERS INCLUDES COST OF IN-  
19 STALLATION.—The cost of any qualified energy  
20 management device or qualified retrofitted meter re-  
21 ferred to in paragraph (1) or (2) shall include the  
22 cost of the original installation of such property.

23 “(c) SPECIAL RULES.—

24 “(1) BASIS REDUCTION.—The basis of any  
25 property for which a credit is allowed under sub-

1 section (a) shall be reduced by the amount of such  
2 credit.

3 “(2) RECAPTURE.—The Secretary shall, by reg-  
4 ulations, provide for recapturing the benefit of any  
5 credit allowable under subsection (a) with respect to  
6 any property that ceases to be property eligible for  
7 such credit.

8 “(3) PROPERTY USED OUTSIDE THE UNITED  
9 STATES, ETC., NOT QUALIFIED.—No credit shall be  
10 allowed under subsection (a) with respect to any  
11 property referred to in section 50(b)(1) or with re-  
12 spect to the portion of the cost of any property  
13 taken into account under section 179.

14 “(4) ELECTION TO NOT TAKE CREDIT.—No  
15 credit shall be allowed under subsection (a) for any  
16 energy management device if the taxpayer elects to  
17 not have this section apply to such device.

18 “(5) CREDITS FOR CERTAIN TAX EXEMPT OR-  
19 GANIZATIONS AND GOVERNMENTAL UNITS.—

20 “(A) ALLOWANCE OF CREDIT.—Any credit  
21 which would be allowable under subsection (a)  
22 with respect to a qualified energy management  
23 device or a qualified retrofitted meter placed in  
24 service by an entity if such entity were not ex-  
25 empt from tax under this chapter shall be treat-

1 ed as a credit allowable under subpart B to  
2 such entity if such entity is—

3 “(i) an organization described in sec-  
4 tion 501(c)(12)(C) and exempt from tax  
5 under section 501(a),

6 “(ii) an organization described in sec-  
7 tion 1381(a)(2)(C),

8 “(iii) an entity the income of which is  
9 excludable from gross income under section  
10 115, or

11 “(iv) a State, the District of Colum-  
12 bia, any territory or possession of the  
13 United States, or any political subdivision  
14 thereof.

15 “(B) USE OF CREDIT.—

16 “(i) TRANSFER OF CREDIT.—An enti-  
17 ty described in subparagraph (A) may as-  
18 sign, trade, sell, or otherwise transfer any  
19 credit allowable to such entity under sub-  
20 paragraph (A) to any taxpayer.

21 “(ii) USE OF CREDIT AS AN OFF-  
22 SET.—Notwithstanding any other provision  
23 of law, in the case of an entity described  
24 in clause (i) or (ii) of subparagraph (A),  
25 any credit allowable to such entity under

1           subparagraph (A) may be applied by such  
2           entity, without penalty, as a prepayment of  
3           any loan, debt, or other obligation the enti-  
4           ty has incurred under subchapter I of  
5           chapter 31 of title 7 of the Rural Elec-  
6           trification Act of 1936 (7 U.S.C. 901 et  
7           seq.).

8           “(C) CREDIT NOT INCOME.—Neither a  
9           transfer under clause (i) nor a use under clause  
10          (ii) of subparagraph (B) of any credit allowable  
11          under subparagraph (A) shall result in income  
12          for purposes of section 501(c)(12).

13          “(D) TRANSFER PROCEEDS TREATED AS  
14          ARISING FROM ESSENTIAL GOVERNMENT FUNC-  
15          TION.—Any proceeds derived by an entity de-  
16          scribed in subparagraph (A)(iii) from the trans-  
17          fer of any credit under subparagraph (B)(i)  
18          shall be treated as arising from an essential  
19          government function.

20          “(d) TERMINATION.—This section shall not apply to  
21          any property placed in service after December 31, 2007.”.

22          (2) INCLUSION OF INDIAN TRIBAL GOVERN-  
23          MENTS.—Section 7871(a)(7), as amended by section  
24          103, is amended by striking “and” at the end of  
25          subparagraph (B), by striking the period at the end

1 of subparagraph (C), and by adding at the end the  
2 following:

3 “(D) section 30D (relating to credit for en-  
4 ergy management systems).”.

5 (3) CONFORMING AMENDMENTS.—

6 (A) The table of contents for subpart B of  
7 part IV of subchapter A of chapter 1 is amend-  
8 ed by inserting after the item relating to section  
9 30C the following new item:

“Sec. 30D. Credit for energy management systems.”.

10 (B) Section 1016(a), as amended by sec-  
11 tion 402, is amended by striking “and” at the  
12 end of paragraph (31), by striking the period at  
13 the end of paragraph (32) and inserting “,  
14 and”, and by adding at the end the following  
15 new paragraph:

16 “(33) to the extent provided in section  
17 30D(c)(1).”.

18 (4) EFFECTIVE DATE.—The amendments made  
19 by this subsection shall apply to qualified energy  
20 management devices placed in service after the date  
21 of the enactment of this Act and to qualified retro-  
22 fitted meters that are placed in service on or after,  
23 or that are in use as of, January 1, 2002.

1 (b) 5-YEAR APPLICABLE RECOVERY PERIOD FOR  
2 DEPRECIATION OF QUALIFIED ENERGY MANAGEMENT  
3 DEVICES.—

4 (1) IN GENERAL.—Subparagraph (B) of section  
5 168(e)(3) of the Internal Revenue Code of 1986 (re-  
6 lating to classification of property) is amended by  
7 striking “and” at the end of clause (v), by striking  
8 the period at the end of clause (vi) and inserting “,  
9 and”, and by adding at the end the following new  
10 clause:

11 “(vii) any qualified energy manage-  
12 ment device.”.

13 (2) DEFINITION OF QUALIFIED ENERGY MAN-  
14 AGEMENT DEVICE.—Section 168(i) of such Code (re-  
15 lating to definitions and special rules) is amended by  
16 inserting at the end the following new paragraph:

17 “(15) QUALIFIED ENERGY MANAGEMENT DE-  
18 VICE.—The term ‘qualified energy management de-  
19 vice’ means a meter or metering device that is ac-  
20 quired and used by an electric energy or natural gas  
21 supplier or service provider to enable consumers and  
22 others to manage their purchase, sale, and use of  
23 electricity or natural gas in response to energy price  
24 and usage signals that are readable on at least a  
25 daily basis. For purposes of the preceding sentence,



1 the cost of any qualified energy management device  
2 shall (at the election of the taxpayer) include the  
3 cost of the original installation of such property.”.

4 (3) EFFECTIVE DATE.—The amendments made  
5 by this subsection shall apply to property placed in  
6 service after December 31, 2000, and before Janu-  
7 ary 1, 2007.

8 **SEC. 404. CREDIT FOR FLYWHEEL PROPERTY.**

9 (a) IN GENERAL.—Subpart B of part IV of sub-  
10 chapter A of chapter 1 (relating to foreign tax credits,  
11 etc.), as amended by section 403, is amended by inserting  
12 after section 30D the following new section:

13 **“SEC. 30E. CREDIT FOR FLYWHEEL PROPERTY.**

14 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
15 lowed as a credit against the tax imposed by this chapter  
16 for the taxable year an amount equal to 10 percent of the  
17 cost of any qualified flywheel property placed in service  
18 by the taxpayer during the taxable year.

19 “(b) LIMITATION.—The credit allowed under sub-  
20 section (a) shall not exceed \$2,000 for a taxable year.

21 “(c) QUALIFIED FLYWHEEL PROPERTY.—For pur-  
22 poses of this section, the term ‘qualified flywheel property’  
23 means a flywheel designed exclusively to store energy that  
24 is used to generate electricity.

25 “(d) SPECIAL RULES.—

1           “(1) BASIS REDUCTION.—The basis of any  
2           property for which a credit is allowable under sub-  
3           section (a) shall be reduced by the amount of such  
4           credit.

5           “(2) RECAPTURE.—The Secretary shall, by reg-  
6           ulations, provide for recapturing the benefit of any  
7           credit allowable under subsection (a) with respect to  
8           any property that ceases to be property eligible for  
9           such credit.

10           “(3) PROPERTY USED OUTSIDE THE UNITED  
11           STATES, ETC., NOT QUALIFIED.—No credit shall be  
12           allowed under subsection (a) with respect to any  
13           property referred to in section 50(b)(1) or with re-  
14           spect to the portion of the cost of any property  
15           taken into account under section 179.

16           “(4) ELECTION TO NOT TAKE CREDIT.—No  
17           credit shall be allowed under subsection (a) for any  
18           qualified flywheel property if the taxpayer elects to  
19           not have this section apply to such property.

20           “(d) TERMINATION.—This section shall not apply to  
21           any property placed in service after December 31, 2007.”.

22           (b) CONFORMING AMENDMENTS.—

23           (1) The table of contents for subpart B of part  
24           IV of subchapter A of chapter 1, as amended by sec-

1       tion 403, is amended by inserting after the item re-  
2       lating to section 30D the following new item:

      “Sec. 30E. Credit for qualified flywheel property.”.

3           (2) Section 1016(a), as amended by section  
4       403, is amended by striking “and” at the end of  
5       paragraph (32), by striking the period at the end of  
6       paragraph (33) and inserting “, and”, and by add-  
7       ing at the end the following new paragraph:

8           “(34) to the extent provided in section  
9       30E(c)(1).”.

10       (c) EFFECTIVE DATE.—The amendments made by  
11       this section shall apply to property placed in service after  
12       December 31, 2001, in taxable years ending after such  
13       date.

○