

109<sup>TH</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 424

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for certain energy efficient property placed in service or installed in an existing principal residence or property used by businesses.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 26, 2005

Mr. TERRY (for himself, Mr. ENGEL, and Mr. GRAVES) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for certain energy efficient property placed in service or installed in an existing principal residence or property used by businesses.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Energy Efficiency In-  
5       vestment Act of 2005”.

1 **SEC. 2. CREDIT FOR CERTAIN ENERGY EFFICIENT PROP-**  
2 **ERTY IN RESIDENCES AND BUSINESSES.**

3 (a) IN GENERAL.—Subpart B of part IV of sub-  
4 chapter A of chapter 1 of the Internal Revenue Code of  
5 1986 is amended by inserting after section 30A the fol-  
6 lowing new section:

7 **“SEC. 30B. CERTAIN ENERGY EFFICIENT PROPERTY IN**  
8 **RESIDENCES AND BUSINESSES.**

9 “(a) ALLOWANCE OF CREDIT.—There shall be al-  
10 lowed as a credit against the tax imposed by this chapter  
11 for the taxable year an amount equal to 25 percent of the  
12 amount paid or incurred by the taxpayer for qualified en-  
13 ergy property placed in service or installed by the taxpayer  
14 during such taxable year.

15 “(b) QUALIFIED ENERGY PROPERTY.—For purposes  
16 of this section, the term ‘qualified energy property’ means  
17 any property—

18 “(1) which is—

19 “(A) an energy efficient building envelope  
20 component which is Energy Star qualified, and

21 “(B) any energy efficient heating or cool-  
22 ing equipment (including boilers) which is En-  
23 ergy Star qualified,

24 “(2) which, in the case of an individual, is in-  
25 stalled in or on an existing residence—

26 “(A) located in the United States, and

1           “(B) owned and used by the taxpayer as  
2           the taxpayer’s principal residence at the time  
3           the property is placed in service or installed,

4           “(3) the original use of which commences with  
5           the taxpayer, and

6           “(4) which has a useful life of at least 5 years.

7           “(c) OTHER DEFINITIONS.—For purposes of this  
8           section—

9           “(1) BUILDING ENVELOPE COMPONENT.—The  
10          term ‘building envelope component’ shall have the  
11          same meaning as set forth in section 434.201 of title  
12          10 of the Code of Federal Regulations.

13          “(2) PRINCIPAL RESIDENCE.—The term ‘prin-  
14          cipal residence’ shall have the same meaning as  
15          when used in section 121.

16          “(3) ENERGY STAR QUALIFIED.—The term  
17          ‘Energy Star qualified’ means property which—

18                 “(A) meets the guidelines, specifications,  
19                 and performance levels of the Energy Star pro-  
20                 gram jointly managed by the Environmental  
21                 Protection Agency and the Department of En-  
22                 ergy, including guidelines, specifications, and  
23                 performance levels for the climate region in  
24                 which a residence is located, and

1           “(B) displays the Energy Star label at the  
2           time the property is placed in service or in-  
3           stalled.

4           “(d) LIMITATION BASED ON AMOUNT OF TAX.—

5           “(1) IN GENERAL.—The credit allowed under  
6           subsection (a) for any taxable year shall not exceed  
7           the excess of—

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

11          “(B) the sum of the credits allowable  
12          under this part (other than under this section  
13          and subpart C thereof, relating to refundable  
14          credits) and section 1397E.

15          “(2) CARRYOVER OF UNUSED CREDIT.—If the  
16          credit allowable under subsection (a) exceeds the  
17          limitation imposed by paragraph (1) for such taxable  
18          year, such excess shall be carried to the succeeding  
19          taxable year and added to the credit allowable under  
20          subsection (a) for such taxable year.

21          “(e) SPECIAL RULES.—For purposes of this section:

22          “(1) TENANT-STOCKHOLDER IN COOPERATIVE  
23          HOUSING CORPORATION.—In the case of an indi-  
24          vidual who is a tenant-stockholder (as defined in sec-  
25          tion 216(b)(2)) in a cooperative housing corporation

1 (as defined in section 216(b)(1)), such individual  
2 shall be treated as having paid his tenant-stock-  
3 holder's proportionate share (as defined in section  
4 216(b)(3)) of any expenditures paid or incurred for  
5 qualified energy property by such corporation, and  
6 such credit shall be allocated appropriately to such  
7 individual.

8 “(2) CONDOMINIUMS.—

9 “(A) IN GENERAL.—In the case of an indi-  
10 vidual who is a member of a condominium man-  
11 agement association with respect to a condo-  
12 minium which he owns, such individual shall be  
13 treated as having paid his proportionate share  
14 of expenditures paid or incurred for qualified  
15 energy property by such association, and such  
16 credit shall be allocated appropriately to such  
17 individual.

18 “(B) CONDOMINIUM MANAGEMENT ASSO-  
19 CIATION.—For purposes of this paragraph, the  
20 term ‘condominium management association’  
21 means an organization which meets the require-  
22 ments of section 528(c)(2) with respect to a  
23 condominium project of which substantially all  
24 of the units are used by individuals as resi-  
25 dences.

1           “(3) EXPENDITURES FOR LABOR INCLUDED.—

2           For purposes of this section, the amount paid or in-  
3           curred by the taxpayer for qualified energy property  
4           shall also include expenditures for labor costs prop-  
5           erly allocable to the onsite preparation, assembly,  
6           and installation of such property.

7           “(4) ALLOCATION TO NONBUSINESS USE IN

8           CERTAIN CASES.—In the case of an individual, if  
9           less than 80 percent of the use of qualified energy  
10          property placed in service or installed is for nonbusi-  
11          ness purposes, only that portion of the expenditure  
12          paid or incurred for such property which is properly  
13          allocable to use for nonbusiness purposes shall be el-  
14          igible for the credit provided by this section.

15          “(f) BASIS ADJUSTMENT.—For purposes of this sub-  
16          title, if a credit is allowed under this section for any ex-  
17          penditure with respect to a residence or other property,  
18          the basis of such residence or other property shall be re-  
19          duced by the amount of the credit so allowed.

20          “(g) APPLICABILITY.—Subsection (a) shall apply to  
21          qualified energy property placed in service or installed  
22          after December 31, 2004.”.

23          (b) CONFORMING AMENDMENT.—Subsection (a) of  
24          section 1016 of such Code (relating to general rule for  
25          adjustments to basis) is amended by striking “and” at the

1 end of paragraph (30), by striking the period at the end  
2 of paragraph (31) and inserting “, and”, and by adding  
3 at the end the following new paragraph:

4           “(32) in the case of a residence or other prop-  
5 erty with respect to which a credit was allowed  
6 under section 30B, to the extent provided in section  
7 30B(f).”.

8           (c) CLERICAL AMENDMENT.—The table of sections  
9 for subpart B of part IV of subchapter A of chapter 1  
10 of such Code is amended by inserting after the item relat-  
11 ing to section 30A the following new item:

          “Sec. 30B. Certain energy efficient property in residences and businesses.”.

12           (d) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to taxable years ending after De-  
14 cember 31, 2004.

○