

110TH CONGRESS
1ST SESSION

H. R. 370

To promote coal-to-liquid fuel activities.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 10, 2007

Mr. DAVIS of Kentucky (for himself, Mr. RAHALL, Mr. WHITFIELD, Mr. PICKERING, Mr. ROGERS of Kentucky, Mr. DUNCAN, Mr. LAHOOD, Mr. BOUSTANY, Mrs. CUBIN, Mr. BACHUS, Mr. EVERETT, Mr. ROGERS of Alabama, Mr. BOUCHER, Mr. LINCOLN DAVIS of Tennessee, Mr. SHIMKUS, Mr. CANNON, Mrs. DRAKE, Mr. LEWIS of Kentucky, Mr. REHBERG, Mr. HASTERT, and Mr. YARMUTH) introduced the following bill; which was referred to the Committee on Energy and Commerce, and in addition to the Committees on Ways and Means, Science and Technology, and Armed Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To promote coal-to-liquid fuel activities.

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 “Coal-to-Liquid Fuel
5 Promotion Act of 2007”.

1 **TITLE I—COAL-TO-LIQUID FUEL**
2 **ACTIVITIES**

3 **SEC. 101. DEFINITIONS.**

4 In this title:

5 (1) COAL-TO-LIQUID.—The term “coal-to-liq-
6 uid” means—

7 (A) with respect to a process or tech-
8 nology, the use of a feedstock, the majority of
9 which is the coal resources of the United
10 States, using the class of reactions known as
11 Fischer-Tropsch, to produce synthetic fuel suit-
12 able for transportation; and

13 (B) with respect to a facility, the portion
14 of a facility related to producing the inputs to
15 the Fischer-Tropsch process, the Fischer-
16 Tropsch process, finished fuel production, or
17 the capture, transportation, or sequestration of
18 byproducts of the use of a feedstock that is pri-
19 marily domestic coal at the Fischer-Tropsch fa-
20 cility, including carbon emissions.

21 (2) SECRETARY.—The term “Secretary” means
22 the Secretary of Energy.

1 **SEC. 102. COAL-TO-LIQUID FUEL LOAN GUARANTEE PRO-**
2 **GRAM.**

3 (a) **ELIGIBLE PROJECTS.**—Section 1703(b) of the
4 Energy Policy Act of 2005 (42 U.S.C. 16513(b)) is
5 amended by adding at the end the following:

6 “(11) Large-scale coal-to-liquid facilities (as de-
7 fined in section 101 of the Coal-to-Liquid Fuel Pro-
8 motion Act of 2007) that use a feedstock, the major-
9 ity of which is the coal resources of the United
10 States, to produce not less than 10,000 barrels a
11 day of liquid transportation fuel.”.

12 (b) **AUTHORIZATION OF APPROPRIATIONS.**—Section
13 1704 of the Energy Policy Act of 2005 (42 U.S.C. 16514)
14 is amended by adding at the end the following:

15 “(c) **COAL-TO-LIQUID PROJECTS.**—

16 “(1) **IN GENERAL.**—There are authorized to be
17 appropriated such sums as are necessary to provide
18 the cost of guarantees for projects involving large-
19 scale coal-to-liquid facilities under section
20 1703(b)(11).

21 “(2) **ALTERNATIVE FUNDING.**—If no appropria-
22 tions are made available under paragraph (1), an eli-
23 gible applicant may elect to provide payment to the
24 Secretary, to be delivered if and at the time the ap-
25 plication is approved, in the amount of the estimated

1 cost of the loan guarantee to the Federal Govern-
2 ment, as determined by the Secretary.

3 “(3) LIMITATIONS.—

4 “(A) IN GENERAL.—No loan guarantees
5 shall be provided under this title for projects
6 described in paragraph (1) after (as determined
7 by the Secretary)—

8 “(i) the tenth such loan guarantee is
9 issued under this title; or

10 “(ii) production capacity covered by
11 such loan guarantees reaches 100,000 bar-
12 rels per day of coal-to-liquid fuel.

13 “(B) INDIVIDUAL PROJECTS.—

14 “(i) IN GENERAL.—A loan guarantee
15 may be provided under this title for any
16 large-scale coal-to-liquid facility described
17 in paragraph (1) that produces no more
18 than 20,000 barrels of coal-to-liquid fuel
19 per day.

20 “(ii) NON-FEDERAL FUNDING RE-
21 QUIREMENT.—To be eligible for a loan
22 guarantee under this title, a large-scale
23 coal-to-liquid facility described in para-
24 graph (1) that produces more than 20,000
25 barrels per day of coal-to-liquid fuel shall

1 be eligible to receive a loan guarantee for
2 the proportion of the cost of the facility
3 that represents 20,000 barrels of coal-to-
4 liquid fuel per day of production.

5 “(4) REQUIREMENTS.—

6 “(A) GUIDELINES.—Not later than 180
7 days after the date of enactment of this sub-
8 section, the Secretary shall publish guidelines
9 for the coal-to-liquids loan guarantee applica-
10 tion process.

11 “(B) APPLICATIONS.—Not later than 1
12 year after the date of enactment of this sub-
13 section, the Secretary shall begin to accept ap-
14 plications for coal-to-liquid loan guarantees
15 under this subsection.

16 “(C) DEADLINE.—Not later than 1 year
17 from the date of acceptance of an application
18 under subparagraph (B), the Secretary shall
19 evaluate the application and make final deter-
20 minations under this subsection.

21 “(5) REPORTS TO CONGRESS.—The Secretary
22 shall submit to the Committee on Energy and Nat-
23 ural Resources of the Senate and the Committee on
24 Energy and Commerce of the House of Representa-

1 tives a report describing the status of the program
2 under this subsection not later than each of—

3 “(A) 180 days after the date of enactment
4 of this subsection;

5 “(B) 1 year after the date of enactment of
6 this subsection; and

7 “(C) the dates on which the Secretary ap-
8 proves the first and fifth applications for coal-
9 to-liquid loan guarantees under this sub-
10 section.”.

11 **SEC. 103. COAL-TO-LIQUID FACILITIES LOAN PROGRAM.**

12 (a) DEFINITION OF ELIGIBLE RECIPIENT.—In this
13 section, the term “eligible recipient” means an individual,
14 organization, or other entity that owns, operates, or plans
15 to construct a coal-to-liquid facility that will produce at
16 least 10,000 barrels per day of coal-to-liquid fuel.

17 (b) ESTABLISHMENT.—The Secretary shall establish
18 a program under which the Secretary shall provide loans,
19 in a total amount not to exceed \$20,000,000, for use by
20 eligible recipients to pay the Federal share of the cost of
21 obtaining any services necessary for the planning, permit-
22 ting, and construction of a coal-to-liquid facility.

23 (c) APPLICATION.—To be eligible to receive a loan
24 under subsection (b), the eligible recipient shall submit to
25 the Secretary an application at such time, in such manner,

1 and containing such information as the Secretary may re-
2 quire.

3 (d) NON-FEDERAL MATCH.—To be eligible to receive
4 a loan under this section, an eligible recipient shall use
5 non-Federal funds to provide a dollar-for-dollar match of
6 the amount of the loan.

7 (e) REPAYMENT OF LOAN.—

8 (1) IN GENERAL.—To be eligible to receive a
9 loan under this section, an eligible recipient shall
10 agree to repay the original amount of the loan to the
11 Secretary not later than 5 years after the date of the
12 receipt of the loan.

13 (2) SOURCE OF FUNDS.—Repayment of a loan
14 under paragraph (1) may be made from any financ-
15 ing or assistance received for the construction of a
16 coal-to-liquid facility described in subsection (a), in-
17 cluding a loan guarantee provided under section
18 1703(b)(11) of the Energy Policy Act of 2005 (42
19 U.S.C. 16513(b)(11)).

20 (f) REQUIREMENTS.—

21 (1) GUIDELINES.—Not later than 180 days
22 after the date of enactment of this Act, the Sec-
23 retary shall publish guidelines for the coal-to-liquids
24 loan application process.

1 **SEC. 105. STRATEGIC PETROLEUM RESERVE.**

2 (a) DEVELOPMENT, OPERATION, AND MAINTENANCE
3 OF RESERVE.—Section 159 of the Energy Policy and Con-
4 servation Act (42 U.S.C. 6239) is amended—

5 (1) by redesignating subsections (f), (g), (j),
6 (k), and (l) as subsections (a), (b), (e), (f), and (g),
7 respectively; and

8 (2) by inserting after subsection (b) (as redesignig-
9 nated by paragraph (1)) the following:

10 “(c) STUDY OF MAINTAINING COAL-TO-LIQUID
11 PRODUCTS IN RESERVE.—Not later than 1 year after the
12 date of enactment of the Coal-to-Liquid Fuel Promotion
13 Act of 2007, the Secretary and the Secretary of Defense
14 shall—

15 “(1) conduct a study of the feasibility and suit-
16 ability of maintaining coal-to-liquid products in the
17 Reserve; and

18 “(2) submit to the Committee on Energy and
19 Natural Resources and the Committee on Armed
20 Services of the Senate and the Committee on Energy
21 and Commerce and the Committee on Armed Serv-
22 ices of the House of Representatives a report de-
23 scribing the results of the study.

24 “(d) CONSTRUCTION OF STORAGE FACILITIES.—As
25 soon as practicable after the date of enactment of the
26 Coal-to-Liquid Fuel Promotion Act of 2007, the Secretary

1 may construct 1 or more storage facilities in the vicinity
2 of pipeline infrastructure and at least 1 military base.”.

3 (b) PETROLEUM PRODUCTS FOR STORAGE IN RE-
4 SERVE.—Section 160 of the Energy Policy and Conserva-
5 tion Act (42 U.S.C. 6240) is amended—

6 (1) in subsection (a)—

7 (A) in paragraph (1), by inserting a semi-
8 colon at the end;

9 (B) in paragraph (2), by striking “and” at
10 the end;

11 (C) in paragraph (3), by striking the pe-
12 riod at the end and inserting “; and”; and

13 (D) by adding at the end the following:

14 “(4) coal-to-liquid products (as defined in sec-
15 tion 101 of the Coal-to-Liquid Fuel Promotion Act
16 of 2007), as the Secretary determines to be appro-
17 priate, in a quantity not to exceed 20 percent of the
18 total quantity of petroleum and petroleum products
19 in the Reserve.”;

20 (2) in subsection (b), by redesignating para-
21 graphs (3) through (5) as paragraphs (2) through
22 (4), respectively; and

23 (3) by redesignating subsections (f) and (h) as
24 subsections (d) and (e), respectively.

1 (c) CONFORMING AMENDMENTS.—Section 167 of the
2 Energy Policy and Conservation Act (42 U.S.C. 6247) is
3 amended—

4 (1) in subsection (b)—

5 (A) by redesignating paragraphs (2) and
6 (3) as paragraphs (1) and (2), respectively; and

7 (B) in paragraph (2) (as redesignated by
8 subparagraph (A)), by striking “section 160(f)”
9 and inserting “section 160(e)”; and

10 (2) in subsection (d), in the matter preceding
11 paragraph (1), by striking “section 160(f)” and in-
12 serting “section 160(e)”.

13 **SEC. 106. AUTHORIZATION TO CONDUCT RESEARCH, DE-**
14 **VELOPMENT, TESTING, AND EVALUATION OF**
15 **ASSURED DOMESTIC FUELS.**

16 Of the amount authorized to be appropriated for the
17 Air Force for research, development, testing, and evalua-
18 tion, \$10,000,000 may be made available for the Air Force
19 Research Laboratory to continue support efforts to test,
20 qualify, and procure synthetic fuels developed from coal
21 for aviation jet use.

1 **SEC. 107. COAL-TO-LIQUID LONG-TERM FUEL PROCURE-**
2 **MENT AND DEPARTMENT OF DEFENSE DE-**
3 **VELOPMENT.**

4 Section 2398a of title 10, United States Code is
5 amended—

6 (1) in subsection (b)—

7 (A) by striking “The Secretary” and in-
8 serting the following:

9 “(1) IN GENERAL.—The Secretary”; and

10 (B) by adding at the end the following:

11 “(2) COAL-TO-LIQUID PRODUCTION FACILI-
12 TIES.—

13 “(A) IN GENERAL.—The Secretary of De-
14 fense may enter into contracts or other agree-
15 ments with private companies or other entities
16 to develop and operate coal-to-liquid facilities
17 (as defined in section 101 of the Coal-to-Liquid
18 Fuel Promotion Act of 2007) on or near mili-
19 tary installations.

20 “(B) CONSIDERATIONS.—In entering into
21 contracts and other agreements under subpara-
22 graph (A), the Secretary shall consider land
23 availability, testing opportunities, and proximity
24 to raw materials.”;

25 (2) in subsection (d)—

1 (A) by striking “Subject to applicable pro-
2 visions of law, any” and inserting “Any”; and

3 (B) by striking “1 or more years” and in-
4 serting “up to 25 years”; and

5 (3) by adding at the end the following:

6 “(f) AUTHORIZATION OF APPROPRIATIONS.—There
7 are authorized to be appropriated such sums as are nec-
8 essary to carry out this section.”.

9 **SEC. 108. REPORT ON EMISSIONS OF FISCHER-TROPSCH**
10 **PRODUCTS USED AS TRANSPORTATION**
11 **FUELS.**

12 (a) IN GENERAL.—In cooperation with the Adminis-
13 trator of the Environmental Protection Agency, the Sec-
14 retary of Defense, the Administrator of the Federal Avia-
15 tion Administration, and the Secretary of Health and
16 Human Services, the Secretary shall—

17 (1) carry out a research and demonstration pro-
18 gram to evaluate the emissions of the use of Fischer-
19 Tropsch fuel for transportation, including diesel and
20 jet fuel;

21 (2) evaluate the effect of using Fischer-Tropsch
22 transportation fuel on land and air engine exhaust
23 emissions; and

24 (3) in accordance with subsection (e), submit to
25 Congress a report on the effect on air quality and

1 public health of using Fischer-Tropsch fuel in the
2 transportation sector.

3 (b) GUIDANCE AND TECHNICAL SUPPORT.—The Sec-
4 retary shall issue any guidance or technical support docu-
5 ments necessary to facilitate the effective use of Fischer-
6 Tropsch fuel and blends under this section.

7 (c) FACILITIES.—For the purpose of evaluating the
8 emissions of Fischer-Tropsch transportation fuels, the
9 Secretary shall—

10 (1) support the use and capital modification of
11 existing facilities and the construction of new facili-
12 ties at the research centers designated in section
13 417 of the Energy Policy Act of 2005 (42 U.S.C.
14 15977); and

15 (2) engage those research centers in the evalua-
16 tion and preparation of the report required under
17 subsection (a)(3).

18 (d) REQUIREMENTS.—The program described in sub-
19 section (a)(1) shall consider—

20 (1) the use of neat (100 percent) Fischer-
21 Tropsch fuel and blends of Fischer-Tropsch fuels
22 with conventional crude oil-derived fuel for heavy-
23 duty and light-duty diesel engines and the aviation
24 sector; and

1 (2) the production costs associated with domes-
 2 tic production of those fuels and prices for con-
 3 sumers.

4 (e) REPORTS.—The Secretary shall submit to the
 5 Committee on Energy and Natural Resources of the Sen-
 6 ate and the Committee on Energy and Commerce of the
 7 House of Representatives—

8 (1) not later than 180 days after the date of
 9 enactment of this Act, an interim report on actions
 10 taken to carry out this section; and

11 (2) not later than 1 year after the date of en-
 12 actment of this Act, a final report on actions taken
 13 to carry out this section.

14 (f) AUTHORIZATION OF APPROPRIATIONS.—There
 15 are authorized to be appropriated such sums as are nec-
 16 essary to carry out this section.

17 **TITLE II—AMENDMENTS TO THE**
 18 **INTERNAL REVENUE CODE**
 19 **OF 1986**

20 **SEC. 201. CREDIT FOR INVESTMENT IN COAL-TO-LIQUID**
 21 **FUELS PROJECTS.**

22 (a) IN GENERAL.—Section 46 of the Internal Rev-
 23 enue Code of 1986 (relating to amount of credit) is
 24 amended by striking “and” at the end of paragraph (3),
 25 by striking the period at the end of paragraph (4) and

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

3 “(5) the qualifying coal-to-liquid fuels project
4 credit.”.

5 (b) AMOUNT OF CREDIT.—Subpart E of part IV of
6 subchapter A of chapter 1 of the Internal Revenue Code
7 of 1986 (relating to rules for computing investment credit)
8 is amended by inserting after section 48B the following
9 new section:

10 **“SEC. 48C. QUALIFYING COAL-TO-LIQUID FUELS PROJECT**
11 **CREDIT.**

12 “(a) IN GENERAL.—For purposes of section 46, the
13 qualifying coal-to-liquid fuels project credit for any taxable
14 year is an amount equal to 20 percent of the qualified
15 investment for such taxable year.

16 “(b) QUALIFIED INVESTMENT.—

17 “(1) IN GENERAL.—For purposes of subsection
18 (a), the qualified investment for any taxable year is
19 the basis of property placed in service by the tax-
20 payer during such taxable year which is part of a
21 qualifying coal-to-liquid fuels project—

22 “(A)(i) the construction, reconstruction, or
23 erection of which is completed by the taxpayer,
24 or

1 “(ii) which is acquired by the taxpayer if
2 the original use of such property commences
3 with the taxpayer, and

4 “(B) with respect to which depreciation (or
5 amortization in lieu of depreciation) is allow-
6 able.

7 “(2) APPLICABLE RULES.—For purposes of this
8 section, rules similar to the rules of subsection
9 (a)(4) and (b) of section 48 shall apply.

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

11 “(1) QUALIFYING COAL-TO-LIQUID FUELS
12 PROJECT.—The term ‘qualifying coal-to-liquid fuels
13 project’ means any domestic project which—

14 “(A) employs the class of reactions known
15 as Fischer-Tropsch to produce at least 10,000
16 barrels per day of transportation grade liquid
17 fuels from a feedstock that is primarily domes-
18 tic coal (including any property which allows for
19 the capture, transportation, or sequestration of
20 by-products resulting from such process, includ-
21 ing carbon emissions), and

22 “(B) any portion of the qualified invest-
23 ment in which is certified under the qualifying
24 coal-to-liquid program as eligible for credit

1 under this section in an amount (not to exceed
2 \$200,000,000) determined by the Secretary.

3 “(2) COAL.—The term ‘coal’ means any carbon-
4 ized or semicarbonized matter, including peat.

5 “(d) QUALIFYING COAL-TO-LIQUID FUELS PROJECT
6 PROGRAM.—

7 “(1) IN GENERAL.—The Secretary, in consulta-
8 tion with the Secretary of Energy, shall establish a
9 qualifying coal-to-liquid fuels project program to
10 consider and award certifications for qualified in-
11 vestment eligible for credits under this section to 10
12 qualifying coal-to-liquid fuels project sponsors under
13 this section. The total qualified investment which
14 may be awarded eligibility for credit under the pro-
15 gram shall not exceed \$2,000,000,000.

16 “(2) PERIOD OF ISSUANCE.—A certificate of
17 eligibility under paragraph (1) may be issued only
18 during the 10-fiscal year period beginning on Octo-
19 ber 1, 2007.

20 “(3) SELECTION CRITERIA.—The Secretary
21 shall not make a competitive certification award for
22 qualified investment for credit eligibility under this
23 section unless the recipient has documented to the
24 satisfaction of the Secretary that—

1 “(A) the proposal of the award recipient is
2 financially viable,

3 “(B) the recipient will provide sufficient
4 information to the Secretary for the Secretary
5 to ensure that the qualified investment is spent
6 efficiently and effectively,

7 “(C) the fuels identified with respect to the
8 gasification technology for such project will
9 comprise at least 90 percent of the fuels re-
10 quired by the project for the production of
11 transportation grade liquid fuels,

12 “(D) the award recipient’s project team is
13 competent in the planning and construction of
14 coal gasification facilities and familiar with op-
15 eration of the Fischer-Tropsch process, with
16 preference given to those recipients with experi-
17 ence which demonstrates successful and reliable
18 operations of such process, and

19 “(E) the award recipient has met other cri-
20 teria established and published by the Sec-
21 retary.

22 “(e) DENIAL OF DOUBLE BENEFIT.—No deduction
23 or other credit shall be allowed with respect to the basis
24 of any property taken into account in determining the
25 credit allowed under this section.”.

1 (c) CONFORMING AMENDMENTS.—

2 (1) Section 49(a)(1)(C) of the Internal Revenue
3 Code of 1986 is amended by striking “and” at the
4 end of clause (iii), by striking the period at the end
5 of clause (iv) and inserting “, and”, and by adding
6 after clause (iv) the following new clause:

7 “(v) the basis of any property which
8 is part of a qualifying coal-to-liquid fuels
9 project under section 48C.”.

10 (2) The table of sections for subpart E of part
11 IV of subchapter A of chapter 1 of such Code is
12 amended by inserting after the item relating to sec-
13 tion 48B the following new item:

“Sec. 48C. Qualifying coal-to-liquid fuels project credit.”.

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

20 **SEC. 202. TEMPORARY EXPENSING FOR EQUIPMENT USED**
21 **IN COAL-TO-LIQUID FUELS PROCESS.**

22 (a) IN GENERAL.—Part VI of subchapter B of chap-
23 ter 1 of the Internal Revenue Code of 1986 is amended
24 by inserting after section 179E the following new section:

1 **“SEC. 179F. ELECTION TO EXPENSE CERTAIN COAL-TO-LIQUID FUELS FACILITIES.**
2

3 “(a) TREATMENT AS EXPENSES.—A taxpayer may
4 elect to treat the cost of any qualified coal-to-liquid fuels
5 process property as an expense which is not chargeable
6 to capital account. Any cost so treated shall be allowed
7 as a deduction for the taxable year in which the expense
8 is incurred.

9 “(b) ELECTION.—

10 “(1) IN GENERAL.—An election under this sec-
11 tion for any taxable year shall be made on the tax-
12 payer’s return of the tax imposed by this chapter for
13 the taxable year. Such election shall be made in such
14 manner as the Secretary may by regulations pre-
15 scribe.

16 “(2) ELECTION IRREVOCABLE.—Any election
17 made under this section may not be revoked except
18 with the consent of the Secretary.

19 “(c) QUALIFIED COAL-TO-LIQUID FUELS PROCESS
20 PROPERTY.—The term ‘qualified coal-to-liquid fuels proc-
21 ess property’ means any property located in the United
22 States—

23 “(1) which employs the Fischer-Tropsch process
24 to produce transportation grade liquid fuels from a
25 feedstock that is primarily domestic coal (including
26 any property which allows for the capture, transpor-

1 tation, or sequestration of by-products resulting
2 from such process, including carbon emissions),

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

5 “(3) the construction of which—

6 “(A) except as provided in subparagraph
7 (B), is subject to a binding construction con-
8 tract entered into after the date of the enact-
9 ment of this section and before January 1,
10 2011, but only if there was no written binding
11 construction contract entered into on or before
12 such date of enactment, or

13 “(B) in the case of self-constructed prop-
14 erty, began after the date of the enactment of
15 this section and before January 1, 2011, and

16 “(4) which is placed in service by the taxpayer
17 after the date of the enactment of this section and
18 before January 1, 2016.

19 “(d) ELECTION TO ALLOCATE DEDUCTION TO COOP-
20 ERATIVE OWNER.—If—

21 “(1) a taxpayer to which subsection (a) applies
22 is an organization to which part I of subchapter T
23 applies, and

1 “(2) one or more persons directly holding an
2 ownership interest in the taxpayer are organizations
3 to which part I of subchapter T apply,
4 the taxpayer may elect to allocate all or a portion of the
5 deduction allowable under subsection (a) to such persons.
6 Such allocation shall be equal to the person’s ratable share
7 of the total amount allocated, determined on the basis of
8 the person’s ownership interest in the taxpayer. The tax-
9 able income of the taxpayer shall not be reduced under
10 section 1382 by reason of any amount to which the pre-
11 ceding sentence applies.

12 “(e) BASIS REDUCTION.—

13 “(1) IN GENERAL.—For purposes of this title,
14 if a deduction is allowed under this section with re-
15 spect to any qualified coal-to-liquid fuels process
16 property, the basis of such property shall be reduced
17 by the amount of the deduction so allowed.

18 “(2) ORDINARY INCOME RECAPTURE.—For
19 purposes of section 1245, the amount of the deduc-
20 tion allowable under subsection (a) with respect to
21 any property which is of a character subject to the
22 allowance for depreciation shall be treated as a de-
23 duction allowed for depreciation under section 167.

24 “(f) APPLICATION WITH OTHER DEDUCTIONS AND
25 CREDITS.—

1 “(1) OTHER DEDUCTIONS.—No deduction shall
2 be allowed under any other provision of this chapter
3 with respect to any expenditure with respect to
4 which a deduction is allowed under subsection (a) to
5 the taxpayer.

6 “(2) CREDITS.—No credit shall be allowed
7 under section 38 with respect to any amount for
8 which a deduction is allowed under subsection (a).

9 “(g) REPORTING.—No deduction shall be allowed
10 under subsection (a) to any taxpayer for any taxable year
11 unless such taxpayer files with the Secretary a report con-
12 taining such information with respect to the operation of
13 the property of the taxpayer as the Secretary shall re-
14 quire.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) Section 1016(a) of the Internal Revenue
17 Code of 1986 is amended by striking “and” at the
18 end of paragraph (36), by striking the period at the
19 end of paragraph (37) and inserting “, and”, and by
20 adding at the end the following new paragraph:

21 “(38) to the extent provided in section
22 179F(e)(1).”.

23 (2) Section 1245(a) of such Code is amended
24 by inserting “179F,” after “179D,” both places it
25 appears in paragraphs (2)(C) and (3)(C).

1 (3) Section 263(a)(1) of such Code is amended
2 by striking “or” at the end of subparagraph (J), by
3 striking the period at the end of subparagraph (K)
4 and inserting “, or”, and by inserting after subpara-
5 graph (K) the following new subparagraph:

6 “(L) expenditures for which a deduction is
7 allowed under section 179F.”.

8 (4) Section 312(k)(3)(B) of such Code is
9 amended by striking “or 179E” each place it ap-
10 pears in the heading and text and inserting “179E,
11 or 179F”.

12 (5) The table of sections for part VI of sub-
13 chapter B of chapter 1 of such Code is amended by
14 inserting after the item relating to section 179E the
15 following new item:

“Sec. 179F. Election to expense certain coal-to-liquid fuels facilities.”.

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

19 **SEC. 203. EXTENSION OF ALTERNATIVE FUEL CREDIT FOR**
20 **FUEL DERIVED FROM COAL THROUGH THE**
21 **FISCHER-TROPSCH PROCESS.**

22 (a) ALTERNATIVE FUEL CREDIT.—Paragraph (4) of
23 section 6426(d) of the Internal Revenue Code of 1986 is
24 amended to read as follows:

1 “(4) TERMINATION.—This subsection shall not
2 apply to—

3 “(A) any sale or use involving liquid fuel
4 derived from a feedstock that is primarily do-
5 mestic coal (including peat) through the Fisch-
6 er-Tropsch process for any period after Sep-
7 tember 30, 2020,

8 “(B) any sale or use involving liquified hy-
9 drogen for any period after September 30,
10 2014, and

11 “(C) any other sale or use for any period
12 after September 30, 2009.”.

13 (b) PAYMENTS.—

14 (1) IN GENERAL.—Paragraph (5) of section
15 6427(e) of the Internal Revenue Code of 1986 is
16 amended by striking “and” and the end of subpara-
17 graph (C), by striking the period at the end of sub-
18 paragraph (D) and inserting “, and”, and by adding
19 at the end the following new subparagraph:

20 “(E) any alternative fuel or alternative fuel
21 mixture (as so defined) involving liquid fuel de-
22 rived from coal (including peat) through the
23 Fischer-Tropsch process sold or used after Sep-
24 tember 30, 2020.”.

1 (2) CONFORMING AMENDMENT.—Section
2 6427(e)(5)(C) of such Code is amended by striking
3 “subparagraph (D)” and inserting “subparagraphs
4 (D) and (E)”.

5 **SEC. 204. MODIFICATIONS TO ENHANCED OIL RECOVERY**
6 **CREDIT.**

7 (a) ENHANCED CREDIT FOR CARBON DIOXIDE IN-
8 JECTIONS.—Section 43 of the Internal Revenue Code of
9 1986 is amended by adding at the end the following new
10 subsection:

11 “(f) ENHANCED CREDIT FOR PROJECTS USING
12 QUALIFIED CARBON DIOXIDE.—

13 “(1) IN GENERAL.—For purposes of this sec-
14 tion—

15 “(A) the term ‘qualified project’ includes a
16 project described in paragraph (2), and

17 “(B) in the case of a project described in
18 paragraph (2), subsection (a) shall be applied
19 by substituting ‘50 percent’ for ‘15 percent’.

20 “(2) PROJECTS DESCRIBED.—A project is de-
21 scribed in this paragraph if it begins or is substan-
22 tially expanded after December 31, 2007, and

23 “(A) uses qualified carbon dioxide in an
24 enhanced oil, natural gas, or coalbed methane

1 recovery method, which involves flooding or in-
2 jection, or

3 “(B) enables the capture or sequestration
4 of qualified carbon dioxide.

5 “(3) DEFINITIONS.—For purposes of this sub-
6 section—

7 “(A) ENHANCED OIL RECOVERY.—The
8 term ‘enhanced oil recovery’ means recovery of
9 oil by injecting or flooding with qualified carbon
10 dioxide.

11 “(B) ENHANCED NATURAL GAS RECOV-
12 ERY.—The term ‘enhanced natural gas recov-
13 ery’ means recovery of natural gas by injecting
14 or flooding with qualified carbon dioxide.

15 “(C) ENHANCED COALBED METHANE RE-
16 COVERY.—The term ‘enhanced coalbed methane
17 recovery’ means recovery of coalbed methane by
18 injecting or flooding with qualified carbon diox-
19 ide.

20 “(D) QUALIFIED CARBON DIOXIDE.—The
21 term ‘qualified carbon dioxide’ means carbon di-
22 oxide which is produced from the gasification
23 and subsequent refinement of a feedstock which
24 is primarily domestic coal, at a facility which
25 produces coal-to-liquid fuel.

1 “(E) CAPTURE OR SEQUESTRATION.—The
2 term ‘capture or sequestration’ means any
3 equipment or facility necessary to—

4 “(i) capture or separate qualified car-
5 bon dioxide from other emissions,

6 “(ii) transport qualified carbon diox-
7 ide, or

8 “(iii) process and use qualified carbon
9 dioxide in a qualified project.

10 “(4) TERMINATION.—This subsection shall not
11 apply to costs paid or incurred for any qualified
12 project after December 31, 2020.”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Section 43 of the Internal Revenue Code of
15 1986 is amended—

16 (A) by striking “enhanced oil recovery
17 credit” in subsection (a) and inserting “en-
18 hanced oil, natural gas, and coalbed methane
19 recovery, and capture and sequestration credit”,

20 (B) by striking “qualified enhanced oil re-
21 covery costs” each place it appears and insert-
22 ing “qualified costs”,

23 (C) by striking “qualified enhanced oil re-
24 covery project” each place it appears and in-
25 serting “qualified project”, and

1 (D) by striking the heading and inserting:

2 **“SEC. 43. ENHANCED OIL, NATURAL GAS, AND COALBED**
 3 **METHANE RECOVERY, AND CAPTURE AND SE-**
 4 **QUESTRATION CREDIT.”.**

5 (2) The item in the table of sections for subpart
 6 D of part IV of subchapter A of chapter 1 of such
 7 Code relating to section 43 is amended to read as
 8 follows:

“Sec. 43. Enhanced oil, natural gas, and coalbed methane recovery, and cap-
 ture and sequestration credit.”.

9 (c) **EFFECTIVE DATE.**—The amendments made by
 10 this section shall apply to costs paid or incurred in taxable
 11 years ending after December 31, 2007.

12 **SEC. 205. ALLOWANCE OF ENHANCED OIL, NATURAL GAS,**
 13 **AND COALBED METHANE RECOVERY, AND**
 14 **CAPTURE AND SEQUESTRATION CREDIT**
 15 **AGAINST THE ALTERNATIVE MINIMUM TAX.**

16 (a) **IN GENERAL.**—Subsection (c) of section 38 of the
 17 Internal Revenue Code of 1986 (relating to limitation
 18 based on amount of tax) is amended by redesignating
 19 paragraphs (4) and (5) as paragraphs (5) and (6), respec-
 20 tively, and by inserting after paragraph (3) the following
 21 new paragraph:

22 “(4) **SPECIAL RULES FOR ENHANCED OIL, NAT-**
 23 **URAL GAS, AND COALBED METHANE RECOVERY, AND**
 24 **CAPTURE AND SEQUESTRATION CREDIT.**—In the

1 case of the enhanced oil, natural gas, and coalbed
2 methane recovery, and capture and sequestration
3 credit determined under section 43—

4 “(A) this section and section 39 shall be
5 applied separately with respect to such credit,
6 and

7 “(B) in applying paragraph (1) to such
8 credit—

9 “(i) the tentative minimum tax shall
10 be treated as being zero, and

11 “(ii) the limitation under paragraph
12 (1) (as modified by clause (i)) shall be re-
13 duced by the credit allowed under sub-
14 section (a) for the taxable year (other than
15 the enhanced oil, natural gas, and coalbed
16 methane recovery, and capture and seques-
17 tration credit and the specified credits).”.

18 (b) CONFORMING AMENDMENTS.—

19 (1) Section 38(c)(2)(A)(ii)(II) of such Code is
20 amended by inserting “the enhanced oil, natural gas,
21 and coalbed methane recovery, and capture and se-
22 questration credit,” after “employee credit,”.

23 (2) Section 38(c)(3)(A)(ii)(II) of such Code is
24 amended by inserting “, the enhanced oil, natural

1 gas, coalbed methane recovery, capture and seques-
2 tration credit,” after “employee credit”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years ending after De-
5 cember 31, 2007.

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