

111TH CONGRESS  
2D SESSION

# H. R. 5617

To amend the Internal Revenue Code of 1986 to provide for home energy conservation bonds.

---

## IN THE HOUSE OF REPRESENTATIVES

JUNE 28, 2010

Mr. McDERMOTT (for himself, Mr. BLUMENAUER, Mr. SARBANES, Ms. SCHWARTZ, and Mr. THOMPSON of California) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to provide for home energy conservation bonds.

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 “Home Energy Con-  
5 servation Act of 2010”.

6 **SEC. 2. HOME ENERGY CONSERVATION BONDS.**

7 (a) IN GENERAL.—Subpart I of part IV of sub-  
8 chapter A of chapter 1 of the Internal Revenue Code of  
9 1986 is amended by adding at the end the following new  
10 section:

1 **“SEC. 54G. HOME ENERGY CONSERVATION BONDS.**

2 “(a) HOME ENERGY CONSERVATION BOND.—For  
3 purposes of this subchapter, the term ‘home energy con-  
4 servation bond’ means any bond issued as part of an issue  
5 if—

6 “(1) 100 percent of the available project pro-  
7 ceeds of such issue are to be used to make qualified  
8 residential energy efficiency assistance grants and  
9 loans,

10 “(2) not less than 20 percent of the available  
11 project proceeds of such issue are to be used to  
12 make qualified low-income residential energy effi-  
13 ciency assistance grants and loans,

14 “(3) not less than 10 percent of the available  
15 project proceeds of such issue are to be used to  
16 make qualified very low-income residential energy ef-  
17 ficiency assistance grants,

18 “(4) repayments of principal and applicable in-  
19 terest on financing provided by the issue are used  
20 not later than the close of the 3-month period begin-  
21 ning on the date the prepayment (or complete repay-  
22 ment) is received to redeem bonds which are part of  
23 the issue or to make qualified residential energy effi-  
24 ciency assistance grants and loans,

25 “(5) the bond is issued by a State or local gov-  
26 ernment, and

1           “(6) the issuer designates such bond for pur-  
2           poses of this section.

3           “(b) LIMITATION ON AMOUNT OF BONDS DES-  
4           IGNATED.—The maximum aggregate face amount of  
5           bonds which may be designated under subsection (a) by  
6           any issuer shall not exceed the limitation amount allocated  
7           under subsection (d) to such issuer.

8           “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS  
9           DESIGNATED.—There is a national home energy conserva-  
10          tion bond limitation of \$2,400,000,000.

11          “(d) ALLOCATIONS.—

12           “(1) IN GENERAL.—The limitation under sub-  
13          section (c) shall be allocated by the Secretary among  
14          the States in proportion to the population of the  
15          States.

16           “(2) ALLOCATIONS TO LARGEST LOCAL GOV-  
17          ERNMENTS.—

18           “(A) IN GENERAL.—In the case of any  
19          State in which there is a large local govern-  
20          ment, each such local government shall be allo-  
21          cated a portion of such State’s allocation which  
22          bears the same ratio to the State’s allocation  
23          (determined without regard to this subpara-  
24          graph) as the population of such large local

1 government bears to the population of such  
2 State.

3 “(B) ALLOCATION OF UNUSED LIMITATION  
4 TO STATE.—The amount allocated under this  
5 subsection to a large local government may be  
6 reallocated by such local government to the  
7 State in which such local government is located.

8 “(C) LARGE LOCAL GOVERNMENT.—For  
9 purposes of this section, the term ‘large local  
10 government’ means any municipality or county  
11 if such municipality or county has a population  
12 of 500,000 or more.

13 “(e) QUALIFIED RESIDENTIAL ENERGY EFFICIENCY  
14 ASSISTANCE GRANTS AND LOANS.—For purposes of this  
15 section—

16 “(1) IN GENERAL.—Qualified residential energy  
17 efficiency assistance grants and loans are any grant  
18 or low-interest loan, as the case may be, to acquire  
19 (including reasonable installation and testing costs)  
20 any of the following:

21 “(A) Any property which meets (at a min-  
22 imum) the requirements of the Energy Star  
23 program and which is to be installed in a dwell-  
24 ing unit.

1           “(B) Any property not described in sub-  
2 paragraph (A) which meets (at a minimum) the  
3 requirements of the Water Sense program and  
4 which is to be installed in a dwelling unit.

5           “(C) Any improvements to a dwelling unit  
6 which are made pursuant to a plan which—

7                   “(i) is developed by a Residential En-  
8 ergy Services Network (RESNET), Build-  
9 ing Performance Institute (BPI), or equiv-  
10 alent, energy efficiency expert, and

11                   “(ii) is certified by such energy effi-  
12 ciency expert (based on testing done before  
13 and after such improvements) as resulting  
14 in at least a 20 percent reduction in total  
15 household energy consumption related to  
16 heating, cooling, lighting, and appliances.

17 For purposes of this subparagraph, improve-  
18 ments to a dwelling unit for basic health and  
19 safety may be taken into account to the extent  
20 that such improvements do not exceed 10 per-  
21 cent of the value of the grant or loan and are  
22 required under State or local law as a condition  
23 of making the other improvement described in  
24 this subparagraph.

25           “(2) DOLLAR LIMITATIONS.—

1 “(A) DWELLING UNIT IMPROVEMENTS.—

2 “(i) IN GENERAL.—Such term shall  
3 not include any grant or loan for improve-  
4 ments described in paragraph (1)(C) with  
5 respect to any dwelling unit to the extent  
6 that such grant or loan (when added to all  
7 other grants or loans for such improve-  
8 ments) exceeds \$5,000.

9 “(ii) INCREASED LIMITATION FOR  
10 CERTAIN PRINCIPAL RESIDENCES.—In the  
11 case of a dwelling unit which is used as a  
12 principal residence (within the meaning of  
13 section 121) by the recipient of the grant  
14 or loan referred to in clause (i)—

15 “(I) clause (i) shall be applied by  
16 substituting ‘\$12,000’ for ‘\$5,000’ if  
17 such grant or loan would satisfy the  
18 requirements of paragraph (1)(C) if  
19 such paragraph were applied by sub-  
20 stituting ‘40 percent’ for ‘20 percent’,  
21 and

22 “(II) in any case to which sub-  
23 clause (I) does not apply, clause (i)  
24 shall be applied by substituting  
25 ‘\$8,000’ for ‘\$5,000’ if such grant or

1 loan would satisfy the requirements of  
2 paragraph (1)(C) if such paragraph  
3 were applied by substituting ‘30 per-  
4 cent’ for ‘20 percent’.

5 “(iii) INCREASED LIMITATION FOR  
6 CASH POSITIVE LOANS.—In the case of a  
7 dwelling unit which is used as a principal  
8 residence (within the meaning of section  
9 121) by the recipient of a loan with respect  
10 to which the reduced energy costs which  
11 result from the improvements described in  
12 paragraph (1)(C) exceed the payments re-  
13 quired under the terms of the loan—

14 “(I) clause (i) shall be applied by  
15 substituting ‘\$12,000’ for ‘\$5,000’,  
16 and

17 “(II) clause (ii) shall not apply.

18 “(B) REDUCTION IN WATER CONSUMP-  
19 TION.—Such term shall not include any grant  
20 or loan for property described in paragraph  
21 (1)(B) with respect to any dwelling unit to the  
22 extent that such grant or loan (when added to  
23 all other grants or loans for such property) ex-  
24 ceeds \$500.

1           “(3) LOW-INTEREST LOAN.—The term ‘low in-  
2           terest loan’ means any loan which charges interest  
3           at a rate which does not exceed the applicable Fed-  
4           eral rate in effect under section 1288(b)(1) deter-  
5           mined as of the issuance of the loan.

6           “(4) EXCLUSION OF CERTAIN PROPERTY.—The  
7           following property shall not be taken into account  
8           for purposes of paragraph (1):

9                   “(A) Any equipment used in connection  
10                   with a swimming pool, hot tub, or similar prop-  
11                   erty.

12                   “(B) Any television.

13                   “(C) Any device for converting digital sig-  
14                   nal to analog.

15                   “(D) Any DVD player.

16                   “(E) Any video cassette recorder (VCR).

17                   “(F) Any audio equipment.

18                   “(G) Any cordless phone.

19                   “(H) Any other item of property where  
20                   there is substantial recreational use.

21           “(f) QUALIFIED LOW-INCOME RESIDENTIAL EFFI-  
22           CIENCY ASSISTANCE GRANTS AND LOANS.—

23                   “(1) IN GENERAL.—Qualified low-income resi-  
24                   dential energy efficiency assistance grants and loans  
25                   are any qualified residential energy efficiency assist-



1       ance grant or loan, as the case may be, with respect  
2       to a dwelling unit which is occupied (at the time of  
3       the grant or loan) by individuals whose income is  
4       100 percent or less of area median gross income.  
5       Rules similar to the rules of section 142(d)(2)(B)  
6       shall apply for purposes of this paragraph.

7               “(2) RESTRICTION TO GRANTS AND VERY LOW  
8       INTEREST LOANS.—Such term shall not include any  
9       loan unless the rate of interest on such loan does not  
10      exceed the excess of—

11                       “(A) the applicable Federal rate in effect  
12                      under section 1288(b)(1) determined as of the  
13                      issuance of the loan, over

14                       “(B) 100 basis points.

15               “(g) QUALIFIED VERY LOW-INCOME RESIDENTIAL  
16      EFFICIENCY ASSISTANCE GRANTS.—For purposes of this  
17      section, qualified very low-income residential energy effi-  
18      ciency assistance grants are any qualified low-income resi-  
19      dential energy efficiency assistance grant with respect to  
20      a dwelling unit which is occupied (at the time of the grant)  
21      by individuals whose income is 50 percent or less of area  
22      median gross income. Rules similar to the rules of section  
23      142(d)(2)(B) shall apply for purposes of this paragraph.

24               “(h) DEFINITIONS AND SPECIAL RULES.—For pur-  
25      poses of this section—

1           “(1) APPLICABLE INTEREST.—The term ‘appli-  
2           cable interest’ means, with respect to any loan, so  
3           much of any interest on such loan which exceeds 1  
4           percentage point.

5           “(2) SPECIAL RULE RELATING TO ARBI-  
6           TRAGE.—An issue shall not be treated as failing to  
7           meet the requirements of section 54A(d)(4)(A) by  
8           reason of any investment of available project pro-  
9           ceeds in qualified residential energy efficiency assist-  
10          ance loans.

11          “(3) EXCLUSION OF ADMINISTRATIVE EX-  
12          PENSES.—The amount treated as used to make any  
13          grant or loan described in this section shall not ex-  
14          ceed the amount of such grant or loan.

15          “(4) POPULATION.—The population of any  
16          State or local government shall be determined as  
17          provided in section 146(j) for the calendar year  
18          which includes the date of the enactment of this sec-  
19          tion.

20          “(5) REPORTING.—

21                 “(A) REPORTS BY ISSUERS.—Issuers of  
22                 home energy conservation bonds shall, not later  
23                 than 6 months after the expenditure period (as  
24                 defined in section 54A) and annually thereafter  
25                 until the last such bond is redeemed, submit re-

1           ports to the Secretary regarding such bonds, in-  
2           cluding information regarding—

3                   “(i) the number and monetary value  
4                   of loans and grants provided and the pur-  
5                   poses for which provided,

6                   “(ii) the number of dwelling units the  
7                   energy efficiency of which improved as re-  
8                   sult of such loans and grants,

9                   “(iii) the types of property described  
10                  in subparagraphs (A) and (B) of sub-  
11                  section (e)(1) installed as a result of such  
12                  loans and grants and the projected energy  
13                  savings with respect to such property, and

14                  “(iv) the projected energy savings as a  
15                  result of such loans and grants for im-  
16                  provements described in subsection  
17                  (e)(1)(C).

18                  “(B) REPORT TO CONGRESS.—Not later  
19                  than 12 months after receipt of the first report  
20                  under subparagraph (A) and annually there-  
21                  after until the last such report is required to be  
22                  submitted, the Secretary, in consultation with  
23                  the Secretary of Energy and the Administrator  
24                  of the Environmental Protection Agency, shall  
25                  submit a report to Congress regarding the bond

1 program under this section, including informa-  
2 tion regarding—

3 “(i) the aggregate of each category of  
4 information described in subparagraph (A)  
5 (including any independent assessment of  
6 projected energy savings), and

7 “(ii) an estimate of the amount of  
8 greenhouse gas emissions reduced as a re-  
9 sult of such bond program.”.

10 (b) TREATMENT AS A SPECIFIED TAX CREDIT BOND  
11 FOR PURPOSES OF DIRECT PAYMENT PROVISIONS.—Sub-  
12 paragraph (A) of section 6431(f)(3) of such Code is  
13 amended by striking “or” at the end of clause (iii), by  
14 striking “and” at the end of clause (iv) and inserting “or”,  
15 and by adding at the end the following new clause:

16 “(v) a home energy conservation bond  
17 (as defined in section 54G), and”.

18 (c) CONFORMING AMENDMENTS.—

19 (1) Paragraph (1) of section 54A(d) of such  
20 Code is amended by striking “or” at the end of sub-  
21 paragraph (D), by inserting “or” at the end of sub-  
22 paragraph (E), and by inserting after subparagraph  
23 (E) the following new subparagraph:

24 “(F) a home energy conservation bond,”.

1           (2) Subparagraph (C) of section 54A(d)(2) of  
2 such Code is amended by striking “and” at the end  
3 of clause (iv), by striking the period at the end of  
4 clause (v) and inserting “, and”, and by adding at  
5 the end the following new clause:

6                         “(vi) in the case of a home energy  
7 conservation bond, a purpose specified in  
8 section 54G(a)(1).”.

9           (3) The table of sections for subpart I of part  
10 IV of subchapter A of chapter 1 of such Code is  
11 amended by adding at the end the following new  
12 item:

“Sec. 54G. Home energy conservation bonds.”.

13           (d) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to obligations issued after the date  
15 of the enactment of this Act.

○