

Union Calendar No.

110TH CONGRESS
2^D SESSION

H. R. 6049

[Report No. 110-]

To amend the Internal Revenue Code of 1986 to provide incentives for energy production and conservation, to extend certain expiring provisions, to provide individual income tax relief, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MAY 14, 2008

Mr. RANGEL (for himself, Mr. McDERMOTT, Mr. LEWIS of Georgia, Mr. NEAL of Massachusetts, Mr. POMEROY, Mr. LARSON of Connecticut, Mr. BLUMENAUER, Mr. CROWLEY, Mr. VAN HOLLEN, Mr. MEEK of Florida, Mr. DAVIS of Alabama, Mr. ARCURI, Ms. GIFFORDS, Mr. HALL of New York, Mr. HODES, Mr. McNERNEY, Ms. SHEA-PORTER, and Mr. WELCH of Vermont) introduced the following bill; which was referred to the Committee on Ways and Means

MAY --, 2008

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in *italic*]

[For text of introduced bill, see copy of bill as introduced on May 14, 2008]

A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for energy production and conservation, to extend certain expiring provisions, to provide individual income tax relief, and for other purposes.

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, ETC.**

4 (a) *SHORT TITLE.*—*This Act may be cited as the “Re-*
5 *newable Energy and Job Creation Act of 2008”.*

6 (b) *REFERENCE.*—*Except as otherwise expressly pro-*
7 *vided, whenever in this Act an amendment or repeal is ex-*
8 *pressed in terms of an amendment to, or repeal of, a section*
9 *or other provision, the reference shall be considered to be*
10 *made to a section or other provision of the Internal Revenue*
11 *Code of 1986.*

12 (c) *TABLE OF CONTENTS.*—*The table of contents for*
13 *this Act is as follows:*

Sec. 1. Short title, etc.

TITLE I—ENERGY TAX INCENTIVES

Subtitle A—Energy Production Incentives

PART I—RENEWABLE ENERGY INCENTIVES

Sec. 101. Renewable energy credit.

Sec. 102. Production credit for electricity produced from marine renewables.

Sec. 103. Energy credit.

Sec. 104. Credit for residential energy efficient property.

Sec. 105. Special rule to implement FERC and State electric restructuring pol-
icy.

Sec. 106. New clean renewable energy bonds.

PART II—CARBON MITIGATION PROVISIONS

Sec. 111. Expansion and modification of advanced coal project investment credit.

Sec. 112. Expansion and modification of coal gasification investment credit.

Sec. 113. Temporary increase in coal excise tax.

Sec. 114. Special rules for refund of the coal excise tax to certain coal producers
and exporters.

Sec. 115. Carbon audit of the tax code.

Subtitle B—Transportation and Domestic Fuel Security Provisions

Sec. 121. Inclusion of cellulosic biofuel in bonus depreciation for biomass ethanol
plant property.

- Sec. 122. Credits for biodiesel and renewable diesel.*
- Sec. 123. Clarification that credits for fuel are designed to provide an incentive for United States production.*
- Sec. 124. Credit for new qualified plug-in electric drive motor vehicles.*
- Sec. 125. Exclusion from heavy truck tax for idling reduction units and advanced insulation.*
- Sec. 126. Restructuring of New York Liberty Zone tax credits.*
- Sec. 127. Transportation fringe benefit to bicycle commuters.*
- Sec. 128. Alternative fuel vehicle refueling property credit.*

Subtitle C—Energy Conservation and Efficiency Provisions

- Sec. 141. Qualified energy conservation bonds.*
- Sec. 142. Credit for nonbusiness energy property.*
- Sec. 143. Energy efficient commercial buildings deduction.*
- Sec. 144. Modifications of energy efficient appliance credit for appliances produced after 2007.*
- Sec. 145. Accelerated recovery period for depreciation of smart meters and smart grid systems.*
- Sec. 146. Qualified green building and sustainable design projects.*

TITLE II—ONE-YEAR EXTENSION OF TEMPORARY PROVISIONS

Subtitle A—Extensions Primarily Affecting Individuals

- Sec. 201. Deduction for State and local sales taxes.*
- Sec. 202. Deduction of qualified tuition and related expenses.*
- Sec. 203. Treatment of certain dividends of regulated investment companies.*
- Sec. 204. Tax-free distributions from individual retirement plans for charitable purposes.*
- Sec. 205. Deduction for certain expenses of elementary and secondary school teachers.*
- Sec. 206. Election to include combat pay as earned income for purposes of earned income tax credit.*
- Sec. 207. Modification of mortgage revenue bonds for veterans.*
- Sec. 208. Distributions from retirement plans to individuals called to active duty.*
- Sec. 209. Stock in RIC for purposes of determining estates of nonresidents not citizens.*
- Sec. 210. Qualified investment entities.*
- Sec. 211. Exclusion of amounts received under qualified group legal services plans.*

Subtitle B—Extensions Primarily Affecting Businesses

- Sec. 221. Research credit.*
- Sec. 222. Indian employment credit.*
- Sec. 223. New markets tax credit.*
- Sec. 224. Railroad track maintenance.*
- Sec. 225. Fifteen-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant property.*
- Sec. 226. Seven-year cost recovery period for motorsports racing track facility.*
- Sec. 227. Accelerated depreciation for business property on Indian reservation.*
- Sec. 228. Expensing of environmental remediation costs.*
- Sec. 229. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.*
- Sec. 230. Modification of tax treatment of certain payments to controlling exempt organizations.*

- Sec. 231. Qualified zone academy bonds.*
Sec. 232. Tax incentives for investment in the District of Columbia.
Sec. 233. Economic development credit for American Samoa.
Sec. 234. Enhanced charitable deduction for contributions of food inventory.
Sec. 235. Enhanced charitable deduction for contributions of book inventory to public schools.
Sec. 236. Enhanced deduction for qualified computer contributions.
Sec. 237. Basis adjustment to stock of S corporations making charitable contributions of property.
Sec. 238. Work opportunity tax credit for Hurricane Katrina employees.
Sec. 239. Subpart F exception for active financing income.
Sec. 240. Look-thru rule for related controlled foreign corporations.
Sec. 241. Expensing for certain qualified film and television productions.

Subtitle C—Other Extensions

- Sec. 251. Authority to disclose information related to terrorist activities made permanent.*
Sec. 252. Authority for undercover operations made permanent.
Sec. 253. Authority to disclose return information for certain veterans programs made permanent.
Sec. 254. Increase in limit on cover over of rum excise tax to Puerto Rico and the Virgin Islands.
Sec. 255. Parity in the application of certain limits to mental health benefits.

TITLE III—ADDITIONAL TAX RELIEF

Subtitle A—Individual Tax Relief

- Sec. 301. Additional standard deduction for real property taxes for nonitemizers.*
Sec. 302. Refundable child credit.
Sec. 303. Increase of AMT refundable credit amount for individuals with long-term unused credits for prior year minimum tax liability, etc.

Subtitle B—Business Related Provisions

- Sec. 311. Uniform treatment of attorney-advanced expenses and court costs in contingency fee cases.*
Sec. 312. Provisions related to film and television productions.

Subtitle C—Modification of Penalty on Understatement of Taxpayer's Liability by Tax Return Preparer

- Sec. 321. Modification of penalty on understatement of taxpayer's liability by tax return preparer.*

Subtitle D—Extension and Expansion of Certain GO Zone Incentives

- Sec. 331. Certain GO Zone incentives.*

TITLE IV—REVENUE PROVISIONS

- Sec. 401. Nonqualified deferred compensation from certain tax indifferent parties.*
Sec. 402. Delay in application of worldwide allocation of interest.
Sec. 403. Time for payment of corporate estimated taxes.

1 **TITLE I—ENERGY TAX**
2 **INCENTIVES**
3 **Subtitle A—Energy Production**
4 **Incentives**

5 **PART I—RENEWABLE ENERGY INCENTIVES**

6 **SEC. 101. RENEWABLE ENERGY CREDIT.**

7 (a) *EXTENSION OF CREDIT.—*

8 (1) *1-YEAR EXTENSION FOR WIND FACILITIES.—*

9 *Paragraph (1) of section 45(d) is amended by striking*
10 *“January 1, 2009” and inserting “January 1, 2010”.*

11 (2) *3-YEAR EXTENSION FOR CERTAIN OTHER FA-*
12 *CILITIES.—Each of the following provisions of section*
13 *45(d) is amended by striking “January 1, 2009” and*
14 *inserting “January 1, 2012”:*

15 (A) *Clauses (i) and (ii) of paragraph*
16 (2)(A).

17 (B) *Clauses (i)(I) and (ii) of paragraph*
18 (3)(A).

19 (C) *Paragraph (4).*

20 (D) *Paragraph (5).*

21 (E) *Paragraph (6).*

22 (F) *Paragraph (7).*

23 (G) *Subparagraphs (A) and (B) of para-*
24 *graph (9).*

25 (b) *MODIFICATION OF CREDIT PHASEOUT.—*

1 (1) *REPEAL OF PHASEOUT.*—Subsection (b) of
2 *section 45 is amended—*

3 (A) *by striking paragraph (1), and*

4 (B) *by striking “the 8 cent amount in para-*
5 *graph (1),” in paragraph (2) thereof.*

6 (2) *LIMITATION BASED ON INVESTMENT IN FA-*
7 *CILITY.*—Subsection (b) of section 45 is amended by
8 *inserting before paragraph (2) the following new*
9 *paragraph:*

10 “(1) *LIMITATION BASED ON INVESTMENT IN FA-*
11 *CILITY.*—

12 “(A) *IN GENERAL.*—*In the case of any*
13 *qualified facility originally placed in service*
14 *after December 31, 2009, the amount of the cred-*
15 *it determined under subsection (a) for any tax-*
16 *able year with respect to electricity produced at*
17 *such facility shall not exceed the product of—*

18 “(i) *the applicable percentage with re-*
19 *spect to such facility, multiplied by*

20 “(ii) *the eligible basis of such facility.*

21 “(B) *CARRYFORWARD OF UNUSED LIMITA-*
22 *TION AND EXCESS CREDIT.*—

23 “(i) *UNUSED LIMITATION.*—*If the limi-*
24 *tation imposed under subparagraph (A)*
25 *with respect to any facility for any taxable*

1 *year exceeds the prelimitation credit for*
2 *such facility for such taxable year, the limi-*
3 *tation imposed under subparagraph (A)*
4 *with respect to such facility for the suc-*
5 *ceeding taxable year shall be increased by*
6 *the amount of such excess.*

7 “(ii) *EXCESS CREDIT.—If the*
8 *prelimitation credit with respect to any fa-*
9 *ility for any taxable year exceeds the limi-*
10 *tation imposed under subparagraph (A)*
11 *with respect to such facility for such taxable*
12 *year, the credit determined under subsection*
13 *(a) with respect to such facility for the suc-*
14 *ceeding taxable year (determined before the*
15 *application of subparagraph (A) for such*
16 *succeeding taxable year) shall be increased*
17 *by the amount of such excess. With respect*
18 *to any facility, no amount may be carried*
19 *forward under this clause to any taxable*
20 *year beginning after the 10-year period de-*
21 *scribed in subsection (a)(2)(A)(ii) with re-*
22 *spect to such facility.*

23 “(iii) *PRELIMINATION CREDIT.—The*
24 *term ‘prelimitation credit’ with respect to*
25 *any facility for a taxable year means the*

1 *credit determined under subsection (a) with*
2 *respect to such facility for such taxable*
3 *year, determined without regard to sub-*
4 *paragraph (A) and after taking into ac-*
5 *count any increase for such taxable year*
6 *under clause (ii).*

7 “(C) *APPLICABLE PERCENTAGE.*—*For pur-*
8 *poses of this paragraph—*

9 “(i) *IN GENERAL.*—*The term ‘applica-*
10 *ble percentage’ means, with respect to any*
11 *facility, the appropriate percentage pre-*
12 *scribed by the Secretary for the month in*
13 *which such facility is originally placed in*
14 *service.*

15 “(ii) *METHOD OF PRESCRIBING APPLI-*
16 *CABLE PERCENTAGES.*—*The applicable per-*
17 *centages prescribed by the Secretary for any*
18 *month under clause (i) shall be percentages*
19 *which yield over a 10-year period amounts*
20 *of limitation under subparagraph (A) which*
21 *have a present value equal to 35 percent of*
22 *the eligible basis of the facility.*

23 “(iii) *METHOD OF DISCOUNTING.*—*The*
24 *present value under clause (ii) shall be de-*
25 *termined—*

1 “(I) as of the last day of the 1st
2 year of the 10-year period referred to
3 in clause (ii),

4 “(II) by using a discount rate
5 equal to the greater of 110 percent of
6 the Federal long-term rate as in effect
7 under section 1274(d) for the month
8 preceding the month for which the ap-
9 plicable percentage is being prescribed,
10 or 4.5 percent, and

11 “(III) by taking into account the
12 limitation under subparagraph (A) for
13 any year on the last day of such year.

14 “(D) *ELIGIBLE BASIS.*—For purposes of
15 this paragraph—

16 “(i) *IN GENERAL.*—The term ‘eligible
17 basis’ means, with respect to any facility,
18 the sum of—

19 “(I) the basis of such facility de-
20 termined as of the time that such facil-
21 ity is originally placed in service, and

22 “(II) the portion of the basis of
23 any shared qualified property which is
24 properly allocable to such facility
25 under clause (ii).

1 “(ii) *RULES FOR ALLOCATION.*—For
2 purposes of subclause (II) of clause (i), the
3 basis of shared qualified property shall be
4 allocated among all qualified facilities
5 which are projected to be placed in service
6 and which require utilization of such prop-
7 erty in proportion to projected generation
8 from such facilities.

9 “(iii) *SHARED QUALIFIED PROP-*
10 *ERTY.*—For purposes of this paragraph, the
11 term ‘shared qualified property’ means,
12 with respect to any facility, any property
13 described in section 168(e)(3)(B)(vi)—

14 “(I) which a qualified facility will
15 require for utilization of such facility,
16 and

17 “(II) which is not a qualified fa-
18 cility.

19 “(iv) *SPECIAL RULE RELATING TO*
20 *GEOHERMAL FACILITIES.*—In the case of
21 any qualified facility using geothermal en-
22 ergy to produce electricity, the basis of such
23 facility for purposes of this paragraph shall
24 be determined as though intangible drilling
25 and development costs described in section

1 263(c) were capitalized rather than ex-
2 pensed.

3 “(E) SPECIAL RULE FOR FIRST AND LAST
4 YEAR OF CREDIT PERIOD.—In the case of any
5 taxable year any portion of which is not within
6 the 10-year period described in subsection
7 (a)(2)(A)(ii) with respect to any facility, the
8 amount of the limitation under subparagraph
9 (A) with respect to such facility shall be reduced
10 by an amount which bears the same ratio to the
11 amount of such limitation (determined without
12 regard to this subparagraph) as such portion of
13 the taxable year which is not within such period
14 bears to the entire taxable year.

15 “(F) ELECTION TO TREAT ALL FACILITIES
16 PLACED IN SERVICE IN A YEAR AS 1 FACILITY.—
17 At the election of the taxpayer, all qualified fa-
18 cilities which are part of the same project and
19 which are placed in service during the same cal-
20 endar year shall be treated for purposes of this
21 section as 1 facility which is placed in service at
22 the mid-point of such year or the first day of the
23 following calendar year.”.

24 (c) TRASH FACILITY CLARIFICATION.—Paragraph (7)
25 of section 45(d) is amended—

1 (1) *by striking “facility which burns” and in-*
2 *serting “facility (other than a facility described in*
3 *paragraph (6)) which uses”, and*

4 (2) *by striking “COMBUSTION”.*

5 (d) *EXPANSION OF BIOMASS FACILITIES.—*

6 (1) *OPEN-LOOP BIOMASS FACILITIES.—Para-*
7 *graph (3) of section 45(d) is amended by redesign-*
8 *ating subparagraph (B) as subparagraph (C) and*
9 *by inserting after subparagraph (A) the following new*
10 *subparagraph:*

11 *“(B) EXPANSION OF FACILITY.—Such term*
12 *shall include a new unit placed in service after*
13 *the date of the enactment of this subparagraph*
14 *in connection with a facility described in sub-*
15 *paragraph (A), but only to the extent of the in-*
16 *creased amount of electricity produced at the fa-*
17 *ility by reason of such new unit.”.*

18 (2) *CLOSED-LOOP BIOMASS FACILITIES.—Para-*
19 *graph (2) of section 45(d) is amended by redesign-*
20 *ating subparagraph (B) as subparagraph (C) and*
21 *inserting after subparagraph (A) the following new*
22 *subparagraph:*

23 *“(B) EXPANSION OF FACILITY.—Such term*
24 *shall include a new unit placed in service after*
25 *the date of the enactment of this subparagraph*

1 *in connection with a facility described in sub-*
2 *paragraph (A)(i), but only to the extent of the*
3 *increased amount of electricity produced at the*
4 *facility by reason of such new unit.”.*

5 *(e) SALES OF NET ELECTRICITY TO REGULATED PUB-*
6 *LIC UTILITIES TREATED AS SALES TO UNRELATED PER-*
7 *SONS.—Paragraph (4) of section 45(e) is amended by add-*
8 *ing at the end the following new sentence: “The net amount*
9 *of electricity sold by any taxpayer to a regulated public*
10 *utility (as defined in section 7701(a)(33)) shall be treated*
11 *as sold to an unrelated person.”.*

12 *(f) MODIFICATION OF RULES FOR HYDROPOWER PRO-*
13 *DUCTION.—Subparagraph (C) of section 45(c)(8) is amend-*
14 *ed to read as follows:*

15 *“(C) NONHYDROELECTRIC DAM.—For pur-*
16 *poses of subparagraph (A), a facility is described*
17 *in this subparagraph if—*

18 *“(i) the hydroelectric project installed*
19 *on the nonhydroelectric dam is licensed by*
20 *the Federal Energy Regulatory Commission*
21 *and meets all other applicable environ-*
22 *mental, licensing, and regulatory require-*
23 *ments,*

24 *“(ii) the nonhydroelectric dam was*
25 *placed in service before the date of the en-*

1 *actment of this paragraph and operated for*
2 *flood control, navigation, or water supply*
3 *purposes and did not produce hydroelectric*
4 *power on the date of the enactment of this*
5 *paragraph, and*

6 *“(iii) the hydroelectric project is oper-*
7 *ated so that the water surface elevation at*
8 *any given location and time that would*
9 *have occurred in the absence of the hydro-*
10 *electric project is maintained, subject to any*
11 *license requirements imposed under applica-*
12 *ble law that change the water surface ele-*
13 *vation for the purpose of improving envi-*
14 *ronmental quality of the affected waterway.*

15 *The Secretary, in consultation with the Federal*
16 *Energy Regulatory Commission, shall certify if a*
17 *hydroelectric project licensed at a nonhydro-*
18 *electric dam meets the criteria in clause (iii).*
19 *Nothing in this section shall affect the standards*
20 *under which the Federal Energy Regulatory*
21 *Commission issues licenses for and regulates hy-*
22 *dropower projects under part I of the Federal*
23 *Power Act.”.*

24 *(g) EFFECTIVE DATE.—*

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

3 “(I) *marine and hydrokinetic renewable en-*
4 *ergy.*”.

5 (b) *MARINE RENEWABLES.*—*Subsection (c) of section*
6 *45 is amended by adding at the end the following new para-*
7 *graph:*

8 “(10) *MARINE AND HYDROKINETIC RENEWABLE*
9 *ENERGY.*—

10 “(A) *IN GENERAL.*—*The term ‘marine and*
11 *hydrokinetic renewable energy’ means energy de-*
12 *rived from—*

13 “(i) *waves, tides, and currents in*
14 *oceans, estuaries, and tidal areas,*

15 “(ii) *free flowing water in rivers, lakes,*
16 *and streams,*

17 “(iii) *free flowing water in an irriga-*
18 *tion system, canal, or other man-made*
19 *channel, including projects that utilize non-*
20 *mechanical structures to accelerate the flow*
21 *of water for electric power production pur-*
22 *poses, or*

23 “(iv) *differentials in ocean temperature*
24 *(ocean thermal energy conversion).*

1 “(B) *EXCEPTIONS.*—Such term shall not in-
2 clude any energy which is derived from any
3 source which utilizes a dam, diversionary struc-
4 ture (except as provided in subparagraph
5 (A)(iii)), or impoundment for electric power pro-
6 duction purposes.”.

7 (c) *DEFINITION OF FACILITY.*—Subsection (d) of sec-
8 tion 45 is amended by adding at the end the following new
9 paragraph:

10 “(11) *MARINE AND HYDROKINETIC RENEWABLE*
11 *ENERGY FACILITIES.*—In the case of a facility pro-
12 ducing electricity from marine and hydrokinetic re-
13 newable energy, the term ‘qualified facility’ means
14 any facility owned by the taxpayer—

15 “(A) which has a nameplate capacity rat-
16 ing of at least 150 kilowatts, and

17 “(B) which is originally placed in service
18 on or after the date of the enactment of this
19 paragraph and before January 1, 2012.”.

20 (d) *CREDIT RATE.*—Subparagraph (A) of section
21 45(b)(4) is amended by striking “or (9)” and inserting “(9),
22 or (11)”.

23 (e) *COORDINATION WITH SMALL IRRIGATION*
24 *POWER.*—Paragraph (5) of section 45(d), as amended by

1 *section 101, is amended by striking “January 1, 2012” and*
2 *inserting “the date of the enactment of paragraph (11)”.*

3 *(f) EFFECTIVE DATE.—The amendments made by this*
4 *section shall apply to electricity produced and sold after*
5 *the date of the enactment of this Act, in taxable years end-*
6 *ing after such date.*

7 **SEC. 103. ENERGY CREDIT.**

8 *(a) EXTENSION OF CREDIT.—*

9 *(1) SOLAR ENERGY PROPERTY.—Paragraphs*
10 *(2)(A)(i)(II) and (3)(A)(ii) of section 48(a) are each*
11 *amended by striking “January 1, 2009” and insert-*
12 *ing “January 1, 2015”.*

13 *(2) FUEL CELL PROPERTY.—Subparagraph (E)*
14 *of section 48(c)(1) is amended by striking “December*
15 *31, 2008” and inserting “December 31, 2014”.*

16 *(3) MICROTURBINE PROPERTY.—Subparagraph*
17 *(E) of section 48(c)(2) is amended by striking “De-*
18 *cember 31, 2008” and inserting “December 31, 2014”.*

19 *(b) ALLOWANCE OF ENERGY CREDIT AGAINST ALTER-*
20 *NATIVE MINIMUM TAX.—Subparagraph (B) of section*
21 *38(c)(4) is amended by striking “and” at the end of clause*
22 *(iii), by redesignating clause (iv) as clause (v), and by in-*
23 *serting after clause (iii) the following new clause:*

24 *“(iv) the credit determined under sec-*
25 *tion 46 to the extent that such credit is at-*

1 *tributable to the energy credit determined*
2 *under section 48, and”.*

3 *(c) ENERGY CREDIT FOR COMBINED HEAT AND*
4 *POWER SYSTEM PROPERTY.—*

5 *(1) IN GENERAL.—Section 48(a)(3)(A) (defining*
6 *energy property) is amended by striking “or” at the*
7 *end of clause (iii), by inserting “or” at the end of*
8 *clause (iv), and by adding at the end the following*
9 *new clause:*

10 *“(v) combined heat and power system*
11 *property,”.*

12 *(2) COMBINED HEAT AND POWER SYSTEM PROP-*
13 *ERTY.—Section 48 is amended by adding at the end*
14 *the following new subsection:*

15 *“(d) COMBINED HEAT AND POWER SYSTEM PROP-*
16 *ERTY.—For purposes of subsection (a)(3)(A)(v)—*

17 *“(1) COMBINED HEAT AND POWER SYSTEM PROP-*
18 *ERTY.—The term ‘combined heat and power system*
19 *property’ means property comprising a system—*

20 *“(A) which uses the same energy source for*
21 *the simultaneous or sequential generation of elec-*
22 *trical power, mechanical shaft power, or both, in*
23 *combination with the generation of steam or*
24 *other forms of useful thermal energy (including*
25 *heating and cooling applications),*

1 “(B) which produces—

2 “(i) at least 20 percent of its total use-
3 ful energy in the form of thermal energy
4 which is not used to produce electrical or
5 mechanical power (or combination thereof),
6 and

7 “(ii) at least 20 percent of its total
8 useful energy in the form of electrical or me-
9 chanical power (or combination thereof),

10 “(C) the energy efficiency percentage of
11 which exceeds 60 percent, and

12 “(D) which is placed in service before Janu-
13 ary 1, 2015.

14 “(2) LIMITATION.—

15 “(A) IN GENERAL.—In the case of combined
16 heat and power system property with an elec-
17 trical capacity in excess of the applicable capac-
18 ity placed in service during the taxable year, the
19 credit under subsection (a)(1) (determined with-
20 out regard to this paragraph) for such year shall
21 be equal to the amount which bears the same
22 ratio to such credit as the applicable capacity
23 bears to the capacity of such property.

24 “(B) APPLICABLE CAPACITY.—For purposes
25 of subparagraph (A), the term ‘applicable capac-

1 *ity*’ means 15 megawatts or a mechanical energy
2 capacity of more than 20,000 horsepower or an
3 equivalent combination of electrical and mechan-
4 ical energy capacities.

5 “(C) *MAXIMUM CAPACITY.*—The term ‘com-
6 bined heat and power system property’ shall not
7 include any property comprising a system if
8 such system has a capacity in excess of 50
9 megawatts or a mechanical energy capacity in
10 excess of 67,000 horsepower or an equivalent
11 combination of electrical and mechanical energy
12 capacities.

13 “(3) *SPECIAL RULES.*—

14 “(A) *ENERGY EFFICIENCY PERCENTAGE.*—
15 For purposes of this subsection, the energy effi-
16 ciency percentage of a system is the fraction—

17 “(i) the numerator of which is the total
18 useful electrical, thermal, and mechanical
19 power produced by the system at normal
20 operating rates, and expected to be con-
21 sumed in its normal application, and

22 “(ii) the denominator of which is the
23 lower heating value of the fuel sources for
24 the system.

1 “(B) *DETERMINATIONS MADE ON BTU*
2 *BASIS.—The energy efficiency percentage and the*
3 *percentages under paragraph (1)(B) shall be de-*
4 *termined on a Btu basis.*

5 “(C) *INPUT AND OUTPUT PROPERTY NOT IN-*
6 *CLUDED.—The term ‘combined heat and power*
7 *system property’ does not include property used*
8 *to transport the energy source to the facility or*
9 *to distribute energy produced by the facility.*

10 “(4) *SYSTEMS USING BIOMASS.—If a system is*
11 *designed to use biomass (within the meaning of para-*
12 *graphs (2) and (3) of section 45(c) without regard to*
13 *the last sentence of paragraph (3)(A)) for at least 90*
14 *percent of the energy source—*

15 “(A) *paragraph (1)(C) shall not apply, but*

16 “(B) *the amount of credit determined under*
17 *subsection (a) with respect to such system shall*
18 *not exceed the amount which bears the same*
19 *ratio to such amount of credit (determined with-*
20 *out regard to this paragraph) as the energy effi-*
21 *ciency percentage of such system bears to 60 per-*
22 *cent.”.*

23 “(d) *INCREASE OF CREDIT LIMITATION FOR FUEL CELL*
24 *PROPERTY.—Subparagraph (B) of section 48(c)(1) is*
25 *amended by striking “\$500” and inserting “\$1,500”.*

1 (e) *PUBLIC UTILITY PROPERTY TAKEN INTO AC-*
2 *COUNT.—*

3 (1) *IN GENERAL.—Paragraph (3) of section*
4 *48(a) is amended by striking the second sentence*
5 *thereof.*

6 (2) *CONFORMING AMENDMENTS.—*

7 (A) *Paragraph (1) of section 48(c) is*
8 *amended by striking subparagraph (D) and re-*
9 *designating subparagraph (E) as subparagraph*
10 *(D).*

11 (B) *Paragraph (2) of section 48(c) is*
12 *amended by striking subparagraph (D) and re-*
13 *designating subparagraph (E) as subparagraph*
14 *(D).*

15 (f) *EFFECTIVE DATE.—*

16 (1) *IN GENERAL.—Except as otherwise provided*
17 *in this subsection, the amendments made by this sec-*
18 *tion shall take effect on the date of the enactment of*
19 *this Act.*

20 (2) *ALLOWANCE AGAINST ALTERNATIVE MINIMUM*
21 *TAX.—The amendments made by subsection (b) shall*
22 *apply to credits determined under section 46 of the*
23 *Internal Revenue Code of 1986 in taxable years begin-*
24 *ning after the date of the enactment of this Act and*
25 *to carrybacks of such credits.*

1 (2) *CONFORMING AMENDMENT.—Section*
2 *25D(e)(4)(A)(i) is amended by striking “\$6,667” and*
3 *inserting “\$13,333”.*

4 *(c) CREDIT FOR RESIDENTIAL WIND PROPERTY.—*

5 (1) *IN GENERAL.—Section 25D(a) is amended by*
6 *striking “and” at the end of paragraph (2), by strik-*
7 *ing the period at the end of paragraph (3) and insert-*
8 *ing “, and”, and by adding at the end the following*
9 *new paragraph:*

10 *“(4) 30 percent of the qualified small wind en-*
11 *ergy property expenditures made by the taxpayer*
12 *during such year.”.*

13 (2) *LIMITATION.—Section 25D(b)(1) is amended*
14 *by striking “and” at the end of subparagraph (B), by*
15 *striking the period at the end of subparagraph (C)*
16 *and inserting “, and”, and by adding at the end the*
17 *following new subparagraph:*

18 *“(D) \$500 with respect to each half kilowatt*
19 *of capacity (not to exceed \$4,000) of wind tur-*
20 *bines for which qualified small wind energy*
21 *property expenditures are made.”.*

22 (3) *QUALIFIED SMALL WIND ENERGY PROPERTY*
23 *EXPENDITURES.—*

1 (A) *IN GENERAL.*—Section 25D(d) is
2 amended by adding at the end the following new
3 paragraph:

4 “(4) *QUALIFIED SMALL WIND ENERGY PROPERTY*
5 *EXPENDITURE.*—The term ‘qualified small wind en-
6 ergy property expenditure’ means an expenditure for
7 property which uses a wind turbine to generate elec-
8 tricity for use in connection with a dwelling unit lo-
9 cated in the United States and used as a residence by
10 the taxpayer.”.

11 (B) *NO DOUBLE BENEFIT.*—Section
12 45(d)(1) is amended by adding at the end the
13 following new sentence: “Such term shall not in-
14 clude any facility with respect to which any
15 qualified small wind energy property expendi-
16 ture (as defined in subsection (d)(4) of section
17 25D) is taken into account in determining the
18 credit under such section.”.

19 (4) *MAXIMUM EXPENDITURES IN CASE OF JOINT*
20 *OCCUPANCY.*—Section 25D(e)(4)(A) is amended by
21 striking “and” at the end of clause (ii), by striking
22 the period at the end of clause (iii) and inserting “,
23 and”, and by adding at the end the following new
24 clause:

1 “(iv) \$1,667 in the case of each half
2 kilowatt of capacity (not to exceed \$13,333)
3 of wind turbines for which qualified small
4 wind energy property expenditures are
5 made.”.

6 (d) *CREDIT FOR GEOTHERMAL HEAT PUMP SYS-*
7 *TEMS.—*

8 (1) *IN GENERAL.—*Section 25D(a), as amended
9 by subsection (c), is amended by striking “and” at the
10 end of paragraph (3), by striking the period at the
11 end of paragraph (4) and inserting “, and”, and by
12 adding at the end the following new paragraph:

13 “(5) 30 percent of the qualified geothermal heat
14 pump property expenditures made by the taxpayer
15 during such year.”.

16 (2) *LIMITATION.—*Section 25D(b)(1), as amend-
17 ed by subsection (c), is amended by striking “and” at
18 the end of subparagraph (C), by striking the period
19 at the end of subparagraph (D) and inserting “,
20 and”, and by adding at the end the following new
21 subparagraph:

22 “(E) \$2,000 with respect to any qualified
23 geothermal heat pump property expenditures.”.

24 (3) *QUALIFIED GEOTHERMAL HEAT PUMP PROP-*
25 *ERTY EXPENDITURE.—*Section 25D(d), as amended by

1 *subsection (c), is amended by adding at the end the*
2 *following new paragraph:*

3 *“(5) QUALIFIED GEOTHERMAL HEAT PUMP*
4 *PROPERTY EXPENDITURE.—*

5 *“(A) IN GENERAL.—The term ‘qualified geo-*
6 *thermal heat pump property expenditure’ means*
7 *an expenditure for qualified geothermal heat*
8 *pump property installed on or in connection*
9 *with a dwelling unit located in the United States*
10 *and used as a residence by the taxpayer.*

11 *“(B) QUALIFIED GEOTHERMAL HEAT PUMP*
12 *PROPERTY.—The term ‘qualified geothermal heat*
13 *pump property’ means any equipment which—*

14 *“(i) uses the ground or ground water*
15 *as a thermal energy source to heat the*
16 *dwelling unit referred to in subparagraph*
17 *(A) or as a thermal energy sink to cool such*
18 *dwelling unit, and*

19 *“(ii) meets the requirements of the En-*
20 *ergy Star program which are in effect at*
21 *the time that the expenditure for such*
22 *equipment is made.”.*

23 *(4) MAXIMUM EXPENDITURES IN CASE OF JOINT*
24 *OCCUPANCY.—Section 25D(e)(4)(A), as amended by*
25 *subsection (c), is amended by striking “and” at the*

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

4 *“(v) \$6,667 in the case of any qualified*
5 *geothermal heat pump property expendi-*
6 *tures.”.*

7 *(e) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-*
8 *IMUM TAX.—*

9 *(1) IN GENERAL.—Subsection (c) of section 25D*
10 *is amended to read as follows:*

11 *“(c) LIMITATION BASED ON AMOUNT OF TAX;*
12 *CARRYFORWARD OF UNUSED CREDIT.—*

13 *“(1) LIMITATION BASED ON AMOUNT OF TAX.—*
14 *In the case of a taxable year to which section 26(a)(2)*
15 *does not apply, the credit allowed under subsection*
16 *(a) for the taxable year shall not exceed the excess*
17 *of—*

18 *“(A) the sum of the regular tax liability (as*
19 *defined in section 26(b)) plus the tax imposed by*
20 *section 55, over*

21 *“(B) the sum of the credits allowable under*
22 *this subpart (other than this section) and section*
23 *27 for the taxable year.*

24 *“(2) CARRYFORWARD OF UNUSED CREDIT.—*

1 “(A) *RULE FOR YEARS IN WHICH ALL PER-*
2 *SONAL CREDITS ALLOWED AGAINST REGULAR*
3 *AND ALTERNATIVE MINIMUM TAX.—In the case of*
4 *a taxable year to which section 26(a)(2) applies,*
5 *if the credit allowable under subsection (a) ex-*
6 *ceeds the limitation imposed by section 26(a)(2)*
7 *for such taxable year reduced by the sum of the*
8 *credits allowable under this subpart (other than*
9 *this section), such excess shall be carried to the*
10 *succeeding taxable year and added to the credit*
11 *allowable under subsection (a) for such suc-*
12 *ceeding taxable year.*

13 “(B) *RULE FOR OTHER YEARS.—In the case*
14 *of a taxable year to which section 26(a)(2) does*
15 *not apply, if the credit allowable under sub-*
16 *section (a) exceeds the limitation imposed by*
17 *paragraph (1) for such taxable year, such excess*
18 *shall be carried to the succeeding taxable year*
19 *and added to the credit allowable under sub-*
20 *section (a) for such succeeding taxable year.”.*

21 (2) *CONFORMING AMENDMENTS.—*

22 (A) *Section 23(b)(4)(B) is amended by in-*
23 *serting “and section 25D” after “this section”.*

1 (B) Section 24(b)(3)(B) is amended by
2 striking “and 25B” and inserting “, 25B, and
3 25D”.

4 (C) Section 25B(g)(2) is amended by strik-
5 ing “section 23” and inserting “sections 23 and
6 25D”.

7 (D) Section 26(a)(1) is amended by striking
8 “and 25B” and inserting “25B, and 25D”.

9 (f) *EFFECTIVE DATE.*—

10 (1) *IN GENERAL.*—The amendments made by
11 this section shall apply to taxable years beginning
12 after December 31, 2007.

13 (2) *APPLICATION OF EGTRRA SUNSET.*—The
14 amendments made by subparagraphs (A) and (B) of
15 subsection (e)(2) shall be subject to title IX of the Eco-
16 nomic Growth and Tax Relief Reconciliation Act of
17 2001 in the same manner as the provisions of such
18 Act to which such amendments relate.

19 **SEC. 105. SPECIAL RULE TO IMPLEMENT FERC AND STATE**
20 **ELECTRIC RESTRUCTURING POLICY.**

21 (a) *EXTENSION FOR QUALIFIED ELECTRIC UTILI-*
22 *TIES.*—

23 (1) *IN GENERAL.*—Paragraph (3) of section
24 451(i) is amended by inserting “(before January 1,

1 2010, in the case of a qualified electric utility)” after
2 “January 1, 2008”.

3 (2) *QUALIFIED ELECTRIC UTILITY.*—Subsection
4 (i) of section 451 is amended by redesignating para-
5 graphs (6) through (10) as paragraphs (7) through
6 (11), respectively, and by inserting after paragraph
7 (5) the following new paragraph:

8 “(6) *QUALIFIED ELECTRIC UTILITY.*—For pur-
9 poses of this subsection, the term ‘qualified electric
10 utility’ means a person that, as of the date of the
11 qualifying electric transmission transaction, is
12 vertically integrated, in that it is both—

13 “(A) a transmitting utility (as defined in
14 section 3(23) of the Federal Power Act (16
15 U.S.C. 796(23))) with respect to the transmission
16 facilities to which the election under this sub-
17 section applies, and

18 “(B) an electric utility (as defined in sec-
19 tion 3(22) of the Federal Power Act (16 U.S.C.
20 796(22))).”.

21 (b) *EXTENSION OF PERIOD FOR TRANSFER OF OPER-*
22 *ATIONAL CONTROL AUTHORIZED BY FERC.*—Clause (ii) of
23 section 451(i)(4)(B) is amended by striking “December 31,
24 2007” and inserting “the date which is 4 years after the
25 close of the taxable year in which the transaction occurs”.

1 (c) *PROPERTY LOCATED OUTSIDE THE UNITED*
2 *STATES NOT TREATED AS EXEMPT UTILITY PROPERTY.*—
3 *Paragraph (5) of section 451(i) is amended by adding at*
4 *the end the following new subparagraph:*

5 “(C) *EXCEPTION FOR PROPERTY LOCATED*
6 *OUTSIDE THE UNITED STATES.*—*The term ‘ex-*
7 *empt utility property’ shall not include any*
8 *property which is located outside the United*
9 *States.”.*

10 (d) *EFFECTIVE DATES.*—

11 (1) *EXTENSION.*—*The amendments made by sub-*
12 *section (a) shall apply to transactions after December*
13 *31, 2007.*

14 (2) *TRANSFERS OF OPERATIONAL CONTROL.*—
15 *The amendment made by subsection (b) shall take ef-*
16 *fect as if included in section 909 of the American Jobs*
17 *Creation Act of 2004.*

18 (3) *EXCEPTION FOR PROPERTY LOCATED OUT-*
19 *SIDE THE UNITED STATES.*—*The amendment made by*
20 *subsection (c) shall apply to transactions after the*
21 *date of the enactment of this Act.*

22 **SEC. 106. NEW CLEAN RENEWABLE ENERGY BONDS.**

23 (a) *IN GENERAL.*—*Part IV of subchapter A of chapter*
24 *1 is amended by adding at the end the following new sub-*
25 *part:*

1 **“Subpart I—Qualified Tax Credit Bonds**

 “Sec. 54A. Credit to holders of qualified tax credit bonds.

 “Sec. 54B. New clean renewable energy bonds.

2 **“SEC. 54A. CREDIT TO HOLDERS OF QUALIFIED TAX CREDIT**

3 **BONDS.**

4 “(a) *ALLOWANCE OF CREDIT.*—If a taxpayer holds a
5 *qualified tax credit bond on one or more credit allowance*
6 *dates of the bond during any taxable year, there shall be*
7 *allowed as a credit against the tax imposed by this chapter*
8 *for the taxable year an amount equal to the sum of the cred-*
9 *its determined under subsection (b) with respect to such*
10 *dates.*

11 “(b) *AMOUNT OF CREDIT.*—

12 “(1) *IN GENERAL.*—The amount of the credit de-
13 *termined under this subsection with respect to any*
14 *credit allowance date for a qualified tax credit bond*
15 *is 25 percent of the annual credit determined with re-*
16 *spect to such bond.*

17 “(2) *ANNUAL CREDIT.*—The annual credit deter-
18 *mined with respect to any qualified tax credit bond*
19 *is the product of—*

20 “(A) *the applicable credit rate, multiplied*
21 *by*

22 “(B) *the outstanding face amount of the*
23 *bond.*

1 “(3) *APPLICABLE CREDIT RATE.*—For purposes
2 of paragraph (2), the applicable credit rate is the rate
3 which the Secretary estimates will permit the
4 issuance of qualified tax credit bonds with a specified
5 maturity or redemption date without discount and
6 without interest cost to the qualified issuer. The ap-
7 plicable credit rate with respect to any qualified tax
8 credit bond shall be determined as of the first day on
9 which there is a binding, written contract for the sale
10 or exchange of the bond.

11 “(4) *SPECIAL RULE FOR ISSUANCE AND REDEMP-*
12 *TION.*—In the case of a bond which is issued during
13 the 3-month period ending on a credit allowance date,
14 the amount of the credit determined under this sub-
15 section with respect to such credit allowance date
16 shall be a ratable portion of the credit otherwise deter-
17 mined based on the portion of the 3-month period
18 during which the bond is outstanding. A similar rule
19 shall apply when the bond is redeemed or matures.

20 “(c) *LIMITATION BASED ON AMOUNT OF TAX.*—

21 “(1) *IN GENERAL.*—The credit allowed under
22 subsection (a) for any taxable year shall not exceed
23 the excess of—

1 “(A) *the sum of the regular tax liability (as*
2 *defined in section 26(b)) plus the tax imposed by*
3 *section 55, over*

4 “(B) *the sum of the credits allowable under*
5 *this part (other than subpart C and this sub-*
6 *part).*

7 “(2) *CARRYOVER OF UNUSED CREDIT.—If the*
8 *credit allowable under subsection (a) exceeds the limi-*
9 *tation imposed by paragraph (1) for such taxable*
10 *year, such excess shall be carried to the succeeding*
11 *taxable year and added to the credit allowable under*
12 *subsection (a) for such taxable year (determined be-*
13 *fore the application of paragraph (1) for such suc-*
14 *ceeding taxable year).*

15 “(d) *QUALIFIED TAX CREDIT BOND.—For purposes of*
16 *this section—*

17 “(1) *QUALIFIED TAX CREDIT BOND.—The term*
18 *‘qualified tax credit bond’ means a new clean renew-*
19 *able energy bond which is part of an issue that meets*
20 *the requirements of paragraphs (2), (3), (4), (5), and*
21 *(6).*

22 “(2) *SPECIAL RULES RELATING TO EXPENDI-*
23 *TURES.—*

24 “(A) *IN GENERAL.—An issue shall be treat-*
25 *ed as meeting the requirements of this paragraph*

1 *if, as of the date of issuance, the issuer reason-*
2 *ably expects—*

3 “(i) 100 percent or more of the avail-
4 able project proceeds to be spent for 1 or
5 more qualified purposes within the 3-year
6 period beginning on such date of issuance,
7 and

8 “(ii) a binding commitment with a
9 third party to spend at least 10 percent of
10 such available project proceeds will be in-
11 curred within the 6-month period beginning
12 on such date of issuance.

13 “(B) *FAILURE TO SPEND REQUIRED*
14 *AMOUNT OF BOND PROCEEDS WITHIN 3 YEARS.—*

15 “(i) *IN GENERAL.—To the extent that*
16 *less than 100 percent of the available project*
17 *proceeds of the issue are expended by the*
18 *close of the expenditure period for 1 or more*
19 *qualified purposes, the issuer shall redeem*
20 *all of the nonqualified bonds within 90 days*
21 *after the end of such period. For purposes of*
22 *this paragraph, the amount of the non-*
23 *qualified bonds required to be redeemed*
24 *shall be determined in the same manner as*
25 *under section 142.*

1 “(ii) *EXPENDITURE PERIOD.*—For
2 purposes of this subpart, the term ‘expendi-
3 ture period’ means, with respect to any
4 issue, the 3-year period beginning on the
5 date of issuance. Such term shall include
6 any extension of such period under clause
7 (iii).

8 “(iii) *EXTENSION OF PERIOD.*—Upon
9 submission of a request prior to the expira-
10 tion of the expenditure period (determined
11 without regard to any extension under this
12 clause), the Secretary may extend such pe-
13 riod if the issuer establishes that the failure
14 to expend the proceeds within the original
15 expenditure period is due to reasonable
16 cause and the expenditures for qualified
17 purposes will continue to proceed with due
18 diligence.

19 “(C) *QUALIFIED PURPOSE.*—For purposes
20 of this paragraph, the term ‘qualified purpose’
21 means a purpose specified in section 54B(a)(1).

22 “(D) *REIMBURSEMENT.*—For purposes of
23 this subtitle, available project proceeds of an
24 issue shall be treated as spent for a qualified
25 purpose if such proceeds are used to reimburse

1 *the issuer for amounts paid for a qualified pur-*
2 *pose after the date that the Secretary makes an*
3 *allocation of bond limitation with respect to such*
4 *issue, but only if—*

5 *“(i) prior to the payment of the origi-*
6 *nal expenditure, the issuer declared its in-*
7 *tent to reimburse such expenditure with the*
8 *proceeds of a qualified tax credit bond,*

9 *“(ii) not later than 60 days after pay-*
10 *ment of the original expenditure, the issuer*
11 *adopts an official intent to reimburse the*
12 *original expenditure with such proceeds,*
13 *and*

14 *“(iii) the reimbursement is made not*
15 *later than 18 months after the date the*
16 *original expenditure is paid.*

17 *“(3) REPORTING.—An issue shall be treated as*
18 *meeting the requirements of this paragraph if the*
19 *issuer of qualified tax credit bonds submits reports*
20 *similar to the reports required under section 149(e).*

21 *“(4) SPECIAL RULES RELATING TO ARBI-*
22 *TRAGE.—*

23 *“(A) IN GENERAL.—An issue shall be treat-*
24 *ed as meeting the requirements of this paragraph*

1 *if the issuer satisfies the requirements of section*
2 *148 with respect to the proceeds of the issue.*

3 “(B) *SPECIAL RULE FOR INVESTMENTS*
4 *DURING EXPENDITURE PERIOD.—An issue shall*
5 *not be treated as failing to meet the requirements*
6 *of subparagraph (A) by reason of any investment*
7 *of available project proceeds during the expendi-*
8 *ture period.*

9 “(C) *SPECIAL RULE FOR RESERVE*
10 *FUNDS.—An issue shall not be treated as failing*
11 *to meet the requirements of subparagraph (A) by*
12 *reason of any fund which is expected to be used*
13 *to repay such issue if—*

14 “(i) *such fund is funded at a rate not*
15 *more rapid than equal annual installments,*

16 “(ii) *such fund is funded in a manner*
17 *reasonably expected to result in an amount*
18 *not greater than an amount necessary to*
19 *repay the issue, and*

20 “(iii) *the yield on such fund is not*
21 *greater than the discount rate determined*
22 *under paragraph (5)(B) with respect to the*
23 *issue.*

24 “(5) *MATURITY LIMITATION.—*

1 “(A) *IN GENERAL.*—*An issue shall not be*
2 *treated as meeting the requirements of this para-*
3 *graph if the maturity of any bond which is part*
4 *of such issue exceeds the maximum term deter-*
5 *mined by the Secretary under subparagraph (B).*

6 “(B) *MAXIMUM TERM.*—*During each cal-*
7 *endar month, the Secretary shall determine the*
8 *maximum term permitted under this paragraph*
9 *for bonds issued during the following calendar*
10 *month. Such maximum term shall be the term*
11 *which the Secretary estimates will result in the*
12 *present value of the obligation to repay the prin-*
13 *cipal on the bond being equal to 50 percent of the*
14 *face amount of such bond. Such present value*
15 *shall be determined using as a discount rate the*
16 *average annual interest rate of tax-exempt obli-*
17 *gations having a term of 10 years or more which*
18 *are issued during the month. If the term as so*
19 *determined is not a multiple of a whole year,*
20 *such term shall be rounded to the next highest*
21 *whole year.*

22 “(6) *PROHIBITION ON FINANCIAL CONFLICTS OF*
23 *INTEREST.*—*An issue shall be treated as meeting the*
24 *requirements of this paragraph if the issuer certifies*
25 *that—*

1 “(A) applicable State and local law require-
2 ments governing conflicts of interest are satisfied
3 with respect to such issue, and

4 “(B) if the Secretary prescribes additional
5 conflicts of interest rules governing the appro-
6 priate Members of Congress, Federal, State, and
7 local officials, and their spouses, such additional
8 rules are satisfied with respect to such issue.

9 “(e) OTHER DEFINITIONS.—For purposes of this sub-
10 chapter—

11 “(1) CREDIT ALLOWANCE DATE.—The term
12 ‘credit allowance date’ means—

13 “(A) March 15,

14 “(B) June 15,

15 “(C) September 15, and

16 “(D) December 15.

17 Such term includes the last day on which the bond is
18 outstanding.

19 “(2) BOND.—The term ‘bond’ includes any obli-
20 gation.

21 “(3) STATE.—The term ‘State’ includes the Dis-
22 trict of Columbia and any possession of the United
23 States.

24 “(4) AVAILABLE PROJECT PROCEEDS.—The term
25 ‘available project proceeds’ means—

1 “(A) *the excess of—*

2 “(i) *the proceeds from the sale of an*
3 *issue, over*

4 “(ii) *the issuance costs financed by the*
5 *issue (to the extent that such costs do not*
6 *exceed 2 percent of such proceeds), and*

7 “(B) *the proceeds from any investment of*
8 *the excess described in subparagraph (A).*

9 “(f) *CREDIT TREATED AS INTEREST.—For purposes of*
10 *this subtitle, the credit determined under subsection (a)*
11 *shall be treated as interest which is includible in gross in-*
12 *come.*

13 “(g) *S CORPORATIONS AND PARTNERSHIPS.—In the*
14 *case of a tax credit bond held by an S corporation or part-*
15 *nership, the allocation of the credit allowed by this section*
16 *to the shareholders of such corporation or partners of such*
17 *partnership shall be treated as a distribution.*

18 “(h) *BONDS HELD BY REGULATED INVESTMENT COM-*
19 *PANIES AND REAL ESTATE INVESTMENT TRUSTS.—If any*
20 *qualified tax credit bond is held by a regulated investment*
21 *company or a real estate investment trust, the credit deter-*
22 *mined under subsection (a) shall be allowed to shareholders*
23 *of such company or beneficiaries of such trust (and any*
24 *gross income included under subsection (f) with respect to*
25 *such credit shall be treated as distributed to such share-*

1 holders or beneficiaries) under procedures prescribed by the
2 Secretary.

3 “(i) *CREDITS MAY BE STRIPPED.*—Under regulations
4 prescribed by the Secretary—

5 “(1) *IN GENERAL.*—There may be a separation
6 (including at issuance) of the ownership of a qualified
7 tax credit bond and the entitlement to the credit
8 under this section with respect to such bond. In case
9 of any such separation, the credit under this section
10 shall be allowed to the person who on the credit allow-
11 ance date holds the instrument evidencing the entitle-
12 ment to the credit and not to the holder of the bond.

13 “(2) *CERTAIN RULES TO APPLY.*—In the case of
14 a separation described in paragraph (1), the rules of
15 section 1286 shall apply to the qualified tax credit
16 bond as if it were a stripped bond and to the credit
17 under this section as if it were a stripped coupon.

18 **“SEC. 54B. NEW CLEAN RENEWABLE ENERGY BONDS.**

19 “(a) *NEW CLEAN RENEWABLE ENERGY BOND.*—For
20 purposes of this subpart, the term ‘new clean renewable en-
21 ergy bond’ means any bond issued as part of an issue if—

22 “(1) 100 percent of the available project proceeds
23 of such issue are to be used for capital expenditures
24 incurred by public power providers or cooperative

1 *electric companies for one or more qualified renewable*
2 *energy facilities,*

3 “(2) *the bond is issued by a qualified issuer, and*

4 “(3) *the issuer designates such bond for purposes*
5 *of this section.*

6 “(b) *REDUCED CREDIT AMOUNT.—The annual credit*
7 *determined under section 54A(b) with respect to any new*
8 *clean renewable energy bond shall be 70 percent of the*
9 *amount so determined without regard to this subsection.*

10 “(c) *LIMITATION ON AMOUNT OF BONDS DES-*
11 *IGNATED.—*

12 “(1) *IN GENERAL.—The maximum aggregate*
13 *face amount of bonds which may be designated under*
14 *subsection (a) by any issuer shall not exceed the limi-*
15 *tation amount allocated under this subsection to such*
16 *issuer.*

17 “(2) *NATIONAL LIMITATION ON AMOUNT OF*
18 *BONDS DESIGNATED.—There is a national new clean*
19 *renewable energy bond limitation of \$2,000,000,000*
20 *which shall be allocated by the Secretary as provided*
21 *in paragraph (3), except that—*

22 “(A) *not more than 33 1/3 percent thereof*
23 *may be allocated to qualified projects of public*
24 *power providers,*

1 “(B) not more than 33 ¹/₃ percent thereof
2 may be allocated to qualified projects of govern-
3 mental bodies, and

4 “(C) not more than 33 ¹/₃ percent thereof
5 may be allocated to qualified projects of coopera-
6 tive electric companies.

7 “(3) METHOD OF ALLOCATION.—

8 “(A) ALLOCATION AMONG PUBLIC POWER
9 PROVIDERS.—After the Secretary determines the
10 qualified projects of public power providers
11 which are appropriate for receiving an alloca-
12 tion of the national new clean renewable energy
13 bond limitation, the Secretary shall, to the max-
14 imum extent practicable, make allocations
15 among such projects in such manner that the
16 amount allocated to each such project bears the
17 same ratio to the cost of such project as the limi-
18 tation under paragraph (2)(A) bears to the cost
19 of all such projects.

20 “(B) ALLOCATION AMONG GOVERNMENTAL
21 BODIES AND COOPERATIVE ELECTRIC COMPA-
22 NIES.—The Secretary shall make allocations of
23 the amount of the national new clean renewable
24 energy bond limitation described in paragraphs
25 (2)(B) and (2)(C) among qualified projects of

1 *governmental bodies and cooperative electric*
2 *companies, respectively, in such manner as the*
3 *Secretary determines appropriate.*

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

5 “(1) *QUALIFIED RENEWABLE ENERGY FACIL-*
6 *ITY.—The term ‘qualified renewable energy facility’*
7 *means a qualified facility (as determined under sec-*
8 *tion 45(d) without regard to paragraphs (8) and (10)*
9 *thereof and to any placed in service date) owned by*
10 *a public power provider, a governmental body, or a*
11 *cooperative electric company.*

12 “(2) *PUBLIC POWER PROVIDER.—The term ‘pub-*
13 *lic power provider’ means a State utility with a serv-*
14 *ice obligation, as such terms are defined in section*
15 *217 of the Federal Power Act (as in effect on the date*
16 *of the enactment of this paragraph).*

17 “(3) *GOVERNMENTAL BODY.—The term ‘govern-*
18 *mental body’ means any State or Indian tribal gov-*
19 *ernment, or any political subdivision thereof.*

20 “(4) *COOPERATIVE ELECTRIC COMPANY.—The*
21 *term ‘cooperative electric company’ means a mutual*
22 *or cooperative electric company described in section*
23 *501(c)(12) or section 1381(a)(2)(C).*

24 “(5) *CLEAN RENEWABLE ENERGY BOND LEND-*
25 *ER.—The term ‘clean renewable energy bond lender’*

1 *means a lender which is a cooperative which is owned*
2 *by, or has outstanding loans to, 100 or more coopera-*
3 *tive electric companies and is in existence on Feb-*
4 *ruary 1, 2002, and shall include any affiliated entity*
5 *which is controlled by such lender.*

6 “(6) *QUALIFIED ISSUER.*—*The term ‘qualified*
7 *issuer’ means a public power provider, a cooperative*
8 *electric company, a governmental body, a clean re-*
9 *newable energy bond lender, or a not-for-profit elec-*
10 *tric utility which has received a loan or loan guar-*
11 *antee under the Rural Electrification Act.”.*

12 “(b) *REPORTING.*—*Subsection (d) of section 6049 is*
13 *amended by adding at the end the following new paragraph:*

14 “(9) *REPORTING OF CREDIT ON QUALIFIED TAX*
15 *CREDIT BONDS.*—

16 “(A) *IN GENERAL.*—*For purposes of sub-*
17 *section (a), the term ‘interest’ includes amounts*
18 *includible in gross income under section 54A*
19 *and such amounts shall be treated as paid on the*
20 *credit allowance date (as defined in section*
21 *54A(e)(1)).*

22 “(B) *REPORTING TO CORPORATIONS, ETC.*—
23 *Except as otherwise provided in regulations, in*
24 *the case of any interest described in subpara-*
25 *graph (A) of this paragraph, subsection (b)(4) of*

1 *this section shall be applied without regard to*
2 *subparagraphs (A), (H), (I), (J), (K), and*
3 *(L)(i).*

4 “(C) *REGULATORY AUTHORITY.*—*The Sec-*
5 *retary may prescribe such regulations as are nec-*
6 *essary or appropriate to carry out the purposes*
7 *of this paragraph, including regulations which*
8 *require more frequent or more detailed report-*
9 *ing.”.*

10 (c) *CONFORMING AMENDMENTS.*—

11 (1) *Sections 54(c)(2) and 1400N(l)(3)(B) are*
12 *each amended by striking “subpart C” and inserting*
13 *“subparts C and I”.*

14 (2) *Section 1397E(c)(2) is amended by striking*
15 *“subpart H” and inserting “subparts H and I”.*

16 (3) *Section 6401(b)(1) is amended by striking*
17 *“and H” and inserting “H, and I”.*

18 (4) *The heading of subpart H of part IV of sub-*
19 *chapter A of chapter 1 is amended by striking “**Cer-***
20 ***tain Bonds**” and inserting “**Clean Renewable***
21 ***Energy Bonds**”.*

22 (5) *The table of subparts for part IV of sub-*
23 *chapter A of chapter 1 is amended by striking the*
24 *item relating to subpart H and inserting the fol-*
25 *lowing new items:*

“SUBPART H. NONREFUNDABLE CREDIT TO HOLDERS OF CLEAN RENEWABLE ENERGY BONDS.

“SUBPART I. QUALIFIED TAX CREDIT BONDS.”.

1 (d) *APPLICATION OF CERTAIN LABOR STANDARDS ON*
2 *PROJECTS FINANCED UNDER TAX CREDIT BONDS.*—Sub-
3 *chapter IV of chapter 31 of title 40, United States Code,*
4 *shall apply to projects financed with the proceeds of any*
5 *tax credit bond (as defined in section 54A of the Internal*
6 *Revenue Code of 1986).*

7 (e) *EFFECTIVE DATES.*—*The amendments made by*
8 *this section shall apply to obligations issued after the date*
9 *of the enactment of this Act.*

10 **PART II—CARBON MITIGATION PROVISIONS**

11 **SEC. 111. EXPANSION AND MODIFICATION OF ADVANCED**

12 **COAL PROJECT INVESTMENT CREDIT.**

13 (a) *MODIFICATION OF CREDIT AMOUNT.*—*Section*
14 *48A(a) is amended by striking “and” at the end of para-*
15 *graph (1), by striking the period at the end of paragraph*
16 *(2) and inserting “, and”, and by adding at the end the*
17 *following new paragraph:*

18 “(3) 30 percent of the qualified investment for
19 such taxable year in the case of projects described in
20 clause (iii) of subsection (d)(3)(B).”.

21 (b) *EXPANSION OF AGGREGATE CREDITS.*—*Section*
22 *48A(d)(3)(A) is amended by striking “\$1,300,000,000” and*
23 *inserting “\$2,550,000,000”.*

1 (c) *AUTHORIZATION OF ADDITIONAL PROJECTS.*—

2 (1) *IN GENERAL.*—*Subparagraph (B) of section*
3 *48A(d)(3) is amended to read as follows:*

4 “(B) *PARTICULAR PROJECTS.*—*Of the dollar*
5 *amount in subparagraph (A), the Secretary is*
6 *authorized to certify—*

7 “(i) \$800,000,000 for integrated gasifi-
8 *cation combined cycle projects the applica-*
9 *tion for which is submitted during the pe-*
10 *riod described in paragraph (2)(A)(i),*

11 “(ii) \$500,000,000 for projects which
12 *use other advanced coal-based generation*
13 *technologies the application for which is*
14 *submitted during the period described in*
15 *paragraph (2)(A)(i), and*

16 “(iii) \$1,250,000,000 for advanced
17 *coal-based generation technology projects the*
18 *application for which is submitted during*
19 *the period described in paragraph*
20 *(2)(A)(ii).”.*

21 (2) *APPLICATION PERIOD FOR ADDITIONAL*
22 *PROJECTS.*—*Subparagraph (A) of section 48A(d)(2)*
23 *is amended to read as follows:*

24 “(A) *APPLICATION PERIOD.*—*Each appli-*
25 *cant for certification under this paragraph shall*

1 *submit an application meeting the requirements*
2 *of subparagraph (B). An applicant may only*
3 *submit an application—*

4 “(i) *for an allocation from the dollar*
5 *amount specified in clause (i) or (ii) of*
6 *paragraph (3)(B) during the 3-year period*
7 *beginning on the date the Secretary estab-*
8 *lishes the program under paragraph (1),*
9 *and*

10 “(ii) *for an allocation from the dollar*
11 *amount specified in paragraph (3)(B)(iii)*
12 *during the 3-year period beginning at the*
13 *earlier of the termination of the period de-*
14 *scribed in clause (i) or the date prescribed*
15 *by the Secretary.”.*

16 (3) *CAPTURE AND SEQUESTRATION OF CARBON*
17 *DIOXIDE EMISSIONS REQUIREMENT.—*

18 (A) *IN GENERAL.—Section 48A(e)(1) is*
19 *amended by striking “and” at the end of sub-*
20 *paragraph (E), by striking the period at the end*
21 *of subparagraph (F) and inserting “; and”, and*
22 *by adding at the end the following new subpara-*
23 *graph:*

24 “(G) *in the case of any project the applica-*
25 *tion for which is submitted during the period de-*

1 *scribed in subsection (d)(2)(A)(ii), the project in-*
2 *cludes equipment which separates and sequesters*
3 *at least 65 percent (70 percent in the case of an*
4 *application for reallocated credits under sub-*
5 *section (d)(4)) of such project’s total carbon diox-*
6 *ide emissions.”.*

7 *(B) HIGHEST PRIORITY FOR PROJECTS*
8 *WHICH SEQUESTER CARBON DIOXIDE EMIS-*
9 *SIONS.—Section 48A(e)(3) is amended by strik-*
10 *ing “and” at the end of subparagraph (A)(iii),*
11 *by striking the period at the end of subpara-*
12 *graph (B)(iii) and inserting “, and”, and by*
13 *adding at the end the following new subpara-*
14 *graph:*

15 *“(C) give highest priority to projects with*
16 *the greatest separation and sequestration per-*
17 *centage of total carbon dioxide emissions.”.*

18 *(C) RECAPTURE OF CREDIT FOR FAILURE*
19 *TO SEQUESTER.—Section 48A is amended by*
20 *adding at the end the following new subsection:*

21 *“(h) RECAPTURE OF CREDIT FOR FAILURE TO SE-*
22 *QUESTER.—The Secretary shall provide for recapturing the*
23 *benefit of any credit allowable under subsection (a) with*
24 *respect to any project which fails to attain or maintain*

1 *the separation and sequestration requirements of subsection*
2 *(e)(1)(G).”.*

3 (4) *ADDITIONAL PRIORITY FOR RESEARCH PART-*
4 *NERSHIPS.—Section 48A(e)(3)(B), as amended by*
5 *paragraph (3)(B), is amended—*

6 (A) *by striking “and” at the end of clause*
7 *(ii),*

8 (B) *by redesignating clause (iii) as clause*
9 *(iv), and*

10 (C) *by inserting after clause (ii) the fol-*
11 *lowing new clause:*

12 *“(iii) applicant participants who have*
13 *a research partnership with an eligible edu-*
14 *cational institution (as defined in section*
15 *529(e)(5)), and”.*

16 (5) *CLERICAL AMENDMENT.—Section 48A(e)(3)*
17 *is amended by striking “INTEGRATED GASIFICATION*
18 *COMBINED CYCLE” in the heading and inserting*
19 *“CERTAIN”.*

20 (d) *COMPETITIVE CERTIFICATION AWARDS MODIFICA-*
21 *TION AUTHORITY.—Section 48A, as amended by subsection*
22 *(c)(3), is amended by adding at the end the following new*
23 *subsection:*

24 *“(i) COMPETITIVE CERTIFICATION AWARDS MODIFICA-*
25 *TION AUTHORITY.—In implementing this section or section*

1 48B, the Secretary is directed to modify the terms of any
2 competitive certification award and any associated closing
3 agreement where such modification—

4 “(1) is consistent with the objectives of such sec-
5 tion,

6 “(2) is requested by the recipient of the competi-
7 tive certification award, and

8 “(3) involves moving the project site to improve
9 the potential to capture and sequester carbon dioxide
10 emissions, reduce costs of transporting feedstock, and
11 serve a broader customer base,

12 unless the Secretary determines that the dollar amount of
13 tax credits available to the taxpayer under such section
14 would increase as a result of the modification or such modi-
15 fication would result in such project not being originally
16 certified. In considering any such modification, the Sec-
17 retary shall consult with other relevant Federal agencies,
18 including the Department of Energy.”.

19 (e) *DISCLOSURE OF ALLOCATIONS.*—Section 48A(d) is
20 amended by adding at the end the following new paragraph:

21 “(5) *DISCLOSURE OF ALLOCATIONS.*—The Sec-
22 retary shall, upon making a certification under this
23 subsection or section 48B(d), publicly disclose the
24 identity of the applicant and the amount of the credit
25 certified with respect to such applicant.”.

1 (f) *EFFECTIVE DATES.*—

2 (1) *IN GENERAL.*—*Except as otherwise provided*
3 *in this subsection, the amendments made by this sec-*
4 *tion shall apply to credits the application for which*
5 *is submitted during the period described in section*
6 *48A(d)(2)(A)(ii) of the Internal Revenue Code of 1986*
7 *and which are allocated or reallocated after the date*
8 *of the enactment of this Act.*

9 (2) *COMPETITIVE CERTIFICATION AWARDS MODI-*
10 *FICATION AUTHORITY.*—*The amendment made by sub-*
11 *section (d) shall take effect on the date of the enact-*
12 *ment of this Act and is applicable to all competitive*
13 *certification awards entered into under section 48A or*
14 *48B of the Internal Revenue Code of 1986, whether*
15 *such awards were issued before, on, or after such date*
16 *of enactment.*

17 (3) *DISCLOSURE OF ALLOCATIONS.*—*The amend-*
18 *ment made by subsection (e) shall apply to certifi-*
19 *cations made after the date of the enactment of this*
20 *Act.*

21 (4) *CLERICAL AMENDMENT.*—*The amendment*
22 *made by subsection (c)(5) shall take effect as if in-*
23 *cluded in the amendment made by section 1307(b) of*
24 *the Energy Tax Incentives Act of 2005.*

1 **SEC. 112. EXPANSION AND MODIFICATION OF COAL GASIFI-**
2 **CATION INVESTMENT CREDIT.**

3 (a) *MODIFICATION OF CREDIT AMOUNT.*—Section
4 48B(a) is amended by inserting “(30 percent in the case
5 of credits allocated under subsection (d)(1)(B))” after “20
6 percent”.

7 (b) *EXPANSION OF AGGREGATE CREDITS.*—Section
8 48B(d)(1) is amended by striking “shall not exceed
9 \$350,000,000” and all that follows and inserting “shall not
10 exceed—

11 “(A) \$350,000,000, plus

12 “(B) \$250,000,000 for qualifying gasifi-
13 cation projects that include equipment which
14 separates and sequesters at least 75 percent of
15 such project’s total carbon dioxide emissions.”.

16 (c) *RECAPTURE OF CREDIT FOR FAILURE TO SEQUES-*
17 *TER.*—Section 48B is amended by adding at the end the
18 following new subsection:

19 “(f) *RECAPTURE OF CREDIT FOR FAILURE TO SE-*
20 *QUESTER.*—The Secretary shall provide for recapturing the
21 benefit of any credit allowable under subsection (a) with
22 respect to any project which fails to attain or maintain
23 the separation and sequestration requirements for such
24 project under subsection (d)(1).”.

25 (d) *SELECTION PRIORITIES.*—Section 48B(d) is
26 amended by adding at the end the following new paragraph:

1 “(4) *SELECTION PRIORITIES.*—*In determining*
2 *which qualifying gasification projects to certify under*
3 *this section, the Secretary shall—*

4 “(A) *give highest priority to projects with*
5 *the greatest separation and sequestration per-*
6 *centage of total carbon dioxide emissions, and*

7 “(B) *give high priority to applicant par-*
8 *ticipants who have a research partnership with*
9 *an eligible educational institution (as defined in*
10 *section 529(e)(5)).”.*

11 *(e) EFFECTIVE DATE.*—*The amendments made by this*
12 *section shall apply to credits described in section*
13 *48B(d)(1)(B) of the Internal Revenue Code of 1986 which*
14 *are allocated or reallocated after the date of the enactment*
15 *of this Act.*

16 **SEC. 113. TEMPORARY INCREASE IN COAL EXCISE TAX.**

17 *Paragraph (2) of section 4121(e) is amended—*

18 (1) *by striking “January 1, 2014” in subpara-*
19 *graph (A) and inserting “December 31, 2018”, and*

20 (2) *by striking “January 1 after 1981” in sub-*
21 *paragraph (B) and inserting “December 31 after*
22 *2007”.*

1 **SEC. 114. SPECIAL RULES FOR REFUND OF THE COAL EX-**
2 **CISE TAX TO CERTAIN COAL PRODUCERS AND**
3 **EXPORTERS.**

4 *(a) REFUND.—*

5 *(1) COAL PRODUCERS.—*

6 *(A) IN GENERAL.—Notwithstanding sub-*
7 *sections (a)(1) and (c) of section 6416 and sec-*
8 *tion 6511 of the Internal Revenue Code of 1986,*
9 *if—*

10 *(i) a coal producer establishes that*
11 *such coal producer, or a party related to*
12 *such coal producer, exported coal produced*
13 *by such coal producer to a foreign country*
14 *or shipped coal produced by such coal pro-*
15 *ducer to a possession of the United States,*
16 *or caused such coal to be exported or*
17 *shipped, the export or shipment of which*
18 *was other than through an exporter who*
19 *meets the requirements of paragraph (2),*

20 *(ii) such coal producer filed an excise*
21 *tax return on or after October 1, 1990, and*
22 *on or before the date of the enactment of this*
23 *Act, and*

24 *(iii) such coal producer files a claim*
25 *for refund with the Secretary not later than*

1 *the close of the 30-day period beginning on*
2 *the date of the enactment of this Act,*
3 *then the Secretary shall pay to such coal pro-*
4 *ducer an amount equal to the tax paid under*
5 *section 4121 of such Code on such coal exported*
6 *or shipped by the coal producer or a party re-*
7 *lated to such coal producer, or caused by the coal*
8 *producer or a party related to such coal producer*
9 *to be exported or shipped.*

10 *(B) SPECIAL RULES FOR CERTAIN TAX-*
11 *PAYERS.—For purposes of this section—*

12 *(i) IN GENERAL.—If a coal producer or*
13 *a party related to a coal producer has re-*
14 *ceived a judgment described in clause (iii),*
15 *such coal producer shall be deemed to have*
16 *established the export of coal to a foreign*
17 *country or shipment of coal to a possession*
18 *of the United States under subparagraph*
19 *(A)(i).*

20 *(ii) AMOUNT OF PAYMENT.—If a tax-*
21 *payer described in clause (i) is entitled to*
22 *a payment under subparagraph (A), the*
23 *amount of such payment shall be reduced by*
24 *any amount paid pursuant to the judgment*
25 *described in clause (iii).*

1 (iii) *JUDGMENT DESCRIBED.*—A judgment
2 is described in this subparagraph if
3 such judgment—

4 (I) is made by a court of com-
5 petent jurisdiction within the United
6 States,

7 (II) relates to the constitutionality
8 of any tax paid on exported coal under
9 section 4121 of the Internal Revenue
10 Code of 1986, and

11 (III) is in favor of the coal pro-
12 ducer or the party related to the coal
13 producer.

14 (2) *EXPORTERS.*—Notwithstanding subsections
15 (a)(1) and (c) of section 6416 and section 6511 of the
16 Internal Revenue Code of 1986, and a judgment de-
17 scribed in paragraph (1)(B)(iii) of this subsection,
18 if—

19 (A) an exporter establishes that such ex-
20 porter exported coal to a foreign country or
21 shipped coal to a possession of the United States,
22 or caused such coal to be so exported or shipped,

23 (B) such exporter filed a tax return on or
24 after October 1, 1990, and on or before the date
25 of the enactment of this Act, and

1 (C) such exporter files a claim for refund
2 with the Secretary not later than the close of the
3 30-day period beginning on the date of the enact-
4 ment of this Act,

5 then the Secretary shall pay to such exporter an
6 amount equal to \$0.825 per ton of such coal exported
7 by the exporter or caused to be exported or shipped,
8 or caused to be exported or shipped, by the exporter.

9 (b) *LIMITATIONS.*—Subsection (a) shall not apply with
10 respect to exported coal if a settlement with the Federal
11 Government has been made with and accepted by, the coal
12 producer, a party related to such coal producer, or the ex-
13 porter, of such coal, as of the date that the claim is filed
14 under this section with respect to such exported coal. For
15 purposes of this subsection, the term “settlement with the
16 Federal Government” shall not include any settlement or
17 stipulation entered into as of the date of the enactment of
18 this Act, the terms of which contemplate a judgment con-
19 cerning which any party has reserved the right to file an
20 appeal, or has filed an appeal.

21 (c) *SUBSEQUENT REFUND PROHIBITED.*—No refund
22 shall be made under this section to the extent that a credit
23 or refund of such tax on such exported or shipped coal has
24 been paid to any person.

25 (d) *DEFINITIONS.*—For purposes of this section—

1 (1) *COAL PRODUCER.*—*The term “coal producer”*
2 *means the person in whom is vested ownership of the*
3 *coal immediately after the coal is severed from the*
4 *ground, without regard to the existence of any con-*
5 *tractual arrangement for the sale or other disposition*
6 *of the coal or the payment of any royalties between*
7 *the producer and third parties. The term includes any*
8 *person who extracts coal from coal waste refuse piles*
9 *or from the silt waste product which results from the*
10 *wet washing (or similar processing) of coal.*

11 (2) *EXPORTER.*—*The term “exporter” means a*
12 *person, other than a coal producer, who does not have*
13 *a contract, fee arrangement, or any other agreement*
14 *with a producer or seller of such coal to export or*
15 *ship such coal to a third party on behalf of the pro-*
16 *ducer or seller of such coal and—*

17 (A) *is indicated in the shipper’s export dec-*
18 *laration or other documentation as the exporter*
19 *of record, or*

20 (B) *actually exported such coal to a foreign*
21 *country or shipped such coal to a possession of*
22 *the United States, or caused such coal to be so*
23 *exported or shipped.*

24 (3) *RELATED PARTY.*—*The term “a party related*
25 *to such coal producer” means a person who—*

1 (A) is related to such coal producer through
2 any degree of common management, stock owner-
3 ship, or voting control,

4 (B) is related (within the meaning of sec-
5 tion 144(a)(3) of the Internal Revenue Code of
6 1986) to such coal producer, or

7 (C) has a contract, fee arrangement, or any
8 other agreement with such coal producer to sell
9 such coal to a third party on behalf of such coal
10 producer.

11 (4) *SECRETARY.*—The term “Secretary” means
12 the Secretary of Treasury or the Secretary’s designee.

13 (e) *TIMING OF REFUND.*—With respect to any claim
14 for refund filed pursuant to this section, the Secretary shall
15 determine whether the requirements of this section are met
16 not later than 180 days after such claim is filed. If the Sec-
17 retary determines that the requirements of this section are
18 met, the claim for refund shall be paid not later than 180
19 days after the Secretary makes such determination.

20 (f) *INTEREST.*—Any refund paid pursuant to this sec-
21 tion shall be paid by the Secretary with interest from the
22 date of overpayment determined by using the overpayment
23 rate and method under section 6621 of the Internal Revenue
24 Code of 1986.

1 (g) *DENIAL OF DOUBLE BENEFIT.*—The payment
2 under subsection (a) with respect to any coal shall not ex-
3 ceed—

4 (1) in the case of a payment to a coal producer,
5 the amount of tax paid under section 4121 of the In-
6 ternal Revenue Code of 1986 with respect to such coal
7 by such coal producer or a party related to such coal
8 producer, and

9 (2) in the case of a payment to an exporter, an
10 amount equal to \$0.825 per ton with respect to such
11 coal exported by the exporter or caused to be exported
12 by the exporter.

13 (h) *APPLICATION OF SECTION.*—This section applies
14 only to claims on coal exported or shipped on or after Octo-
15 ber 1, 1990, through the date of the enactment of this Act.

16 (i) *STANDING NOT CONFERRED.*—

17 (1) *EXPORTERS.*—With respect to exporters, this
18 section shall not confer standing upon an exporter to
19 commence, or intervene in, any judicial or adminis-
20 trative proceeding concerning a claim for refund by
21 a coal producer of any Federal or State tax, fee, or
22 royalty paid by the coal producer.

23 (2) *COAL PRODUCERS.*—With respect to coal pro-
24 ducers, this section shall not confer standing upon a
25 coal producer to commence, or intervene in, any judi-

1 *cial or administrative proceeding concerning a claim*
2 *for refund by an exporter of any Federal or State tax,*
3 *fee, or royalty paid by the producer and alleged to*
4 *have been passed on to an exporter.*

5 **SEC. 115. CARBON AUDIT OF THE TAX CODE.**

6 *(a) STUDY.—The Secretary of the Treasury shall enter*
7 *into an agreement with the National Academy of Sciences*
8 *to undertake a comprehensive review of the Internal Rev-*
9 *enue Code of 1986 to identify the types of and specific tax*
10 *provisions that have the largest effects on carbon and other*
11 *greenhouse gas emissions and to estimate the magnitude of*
12 *those effects.*

13 *(b) REPORT.—Not later than 2 years after the date*
14 *of enactment of this Act, the National Academy of Sciences*
15 *shall submit to Congress a report containing the results of*
16 *study authorized under this section.*

17 *(c) AUTHORIZATION OF APPROPRIATIONS.—There is*
18 *authorized to be appropriated to carry out this section*
19 *\$1,500,000 for the period of fiscal years 2008 and 2009.*

1 ***Subtitle B—Transportation and***
2 ***Domestic Fuel Security Provisions***

3 ***SEC. 121. INCLUSION OF CELLULOSIC BIOFUEL IN BONUS***
4 ***DEPRECIATION FOR BIOMASS ETHANOL***
5 ***PLANT PROPERTY.***

6 (a) *IN GENERAL.*—Paragraph (3) of section 168(l) is
7 amended to read as follows:

8 “(3) *CELLULOSIC BIOFUEL.*—The term ‘cellulosic
9 biofuel’ means any liquid fuel which is produced from
10 any lignocellulosic or hemicellulosic matter that is
11 available on a renewable or recurring basis.”.

12 (b) *CONFORMING AMENDMENTS.*—Subsection (l) of sec-
13 tion 168 is amended—

14 (1) by striking “cellulosic biomass ethanol” each
15 place it appears and inserting “cellulosic biofuel”,

16 (2) by striking “CELLULOSIC BIOMASS ETH-
17 ANOL” in the heading of such subsection and inserting
18 “CELLULOSIC BIOFUEL”, and

19 (3) by striking “CELLULOSIC BIOMASS ETHANOL”
20 in the heading of paragraph (2) thereof and inserting
21 “CELLULOSIC BIOFUEL”.

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

1 **SEC. 122. CREDITS FOR BIODIESEL AND RENEWABLE DIE-**
2 **SEL.**

3 (a) *IN GENERAL.*—Sections 40A(g), 6426(c)(6), and
4 6427(e)(5)(B) are each amended by striking “December 31,
5 2008” and inserting “December 31, 2009”.

6 (b) *INCREASE IN RATE OF CREDIT.*—

7 (1) *INCOME TAX CREDIT.*—Paragraphs (1)(A)
8 and (2)(A) of section 40A(b) are each amended by
9 striking “50 cents” and inserting “\$1.00”.

10 (2) *EXCISE TAX CREDIT.*—Paragraph (2) of sec-
11 tion 6426(c) is amended to read as follows:

12 “(2) *APPLICABLE AMOUNT.*—For purposes of this
13 subsection, the applicable amount is \$1.00.”.

14 (3) *CONFORMING AMENDMENTS.*—

15 (A) Subsection (b) of section 40A is amend-
16 ed by striking paragraph (3) and by redesignig-
17 nating paragraphs (4) and (5) as paragraphs
18 (3) and (4), respectively.

19 (B) Paragraph (2) of section 40A(f) is
20 amended to read as follows:

21 “(2) *EXCEPTION.*—Subsection (b)(4) shall not
22 apply with respect to renewable diesel.”.

23 (C) Paragraphs (2) and (3) of section
24 40A(e) are each amended by striking “subsection
25 (b)(5)(C)” and inserting “subsection (b)(4)(C)”.

1 (D) Clause (ii) of section 40A(d)(3)(C) is
2 amended by striking “subsection (b)(5)(B)” and
3 inserting “subsection (b)(4)(B)”.

4 (c) UNIFORM TREATMENT OF DIESEL PRODUCED
5 FROM BIOMASS.—Paragraph (3) of section 40A(f) is
6 amended—

7 (1) by striking “diesel fuel” and inserting “liq-
8 uid fuel”,

9 (2) by striking “using a thermal
10 depolymerization process”, and

11 (3) by striking “or D396” in subparagraph (B)
12 and inserting “; D396, or other equivalent standard
13 approved by the Secretary”.

14 (d) COPRODUCTION OF RENEWABLE DIESEL WITH PE-
15 TROLEUM FEEDSTOCK.—

16 (1) IN GENERAL.—Paragraph (3) of section
17 40A(f) (defining renewable diesel) is amended by add-
18 ing at the end the following flush sentence:

19 “Such term does not include any fuel derived from co-
20 processing biomass with a feedstock which is not bio-
21 mass. For purposes of this paragraph, the term ‘bio-
22 mass’ has the meaning given such term by section
23 45K(c)(3).”.

1 (2) *CONFORMING AMENDMENT.*—*Paragraph (3)*
2 *of section 40A(f) is amended by striking “(as defined*
3 *in section 45K(c)(3))”.*

4 (i) *ELIGIBILITY OF CERTAIN AVIATION FUEL.*—*Para-*
5 *graph (3) of section 40A(f) (defining renewable diesel) is*
6 *amended by adding at the end the following: “The term ‘re-*
7 *newable diesel’ also means fuel derived from biomass which*
8 *meets the requirements of a Department of Defense speci-*
9 *fication for military jet fuel or an American Society of*
10 *Testing and Materials specification for aviation turbine*
11 *fuel.”*

12 (f) *EFFECTIVE DATE.*—

13 (1) *IN GENERAL.*—*Except as otherwise provided*
14 *in this subsection, the amendments made by this sec-*
15 *tion shall apply to fuel produced, and sold or used,*
16 *after December 31, 2008.*

17 (2) *COPRODUCTION OF RENEWABLE DIESEL*
18 *WITH PETROLEUM FEEDSTOCK.*—*The amendments*
19 *made by subsection (c) shall apply to fuel produced,*
20 *and sold or used, after February 13, 2008.*

1 **SEC. 123. CLARIFICATION THAT CREDITS FOR FUEL ARE DE-**
2 **SIGNED TO PROVIDE AN INCENTIVE FOR**
3 **UNITED STATES PRODUCTION.**

4 (a) *ALCOHOL FUELS CREDIT.*—Subsection (d) of sec-
5 tion 40 is amended by adding at the end the following new
6 paragraph:

7 “(6) *LIMITATION TO ALCOHOL WITH CONNECTION*
8 *TO THE UNITED STATES.*—No credit shall be deter-
9 mined under this section with respect to any alcohol
10 which is produced outside the United States for use
11 as a fuel outside the United States. For purposes of
12 this paragraph, the term ‘United States’ includes any
13 possession of the United States.”.

14 (b) *BIODIESEL FUELS CREDIT.*—Subsection (d) of sec-
15 tion 40A is amended by adding at the end the following
16 new paragraph:

17 “(5) *LIMITATION TO BIODIESEL WITH CONNEC-*
18 *TION TO THE UNITED STATES.*—No credit shall be de-
19 termined under this section with respect to any bio-
20 diesel which is produced outside the United States for
21 use as a fuel outside the United States. For purposes
22 of this paragraph, the term ‘United States’ includes
23 any possession of the United States.”.

24 (c) *EXCISE TAX CREDIT.*—

25 (1) *IN GENERAL.*—Section 6426 is amended by
26 adding at the end the following new subsection:

1 “(i) *LIMITATION TO FUELS WITH CONNECTION TO*
2 *THE UNITED STATES.*—

3 “(1) *ALCOHOL.*—*No credit shall be determined*
4 *under this section with respect to any alcohol which*
5 *is produced outside the United States for use as a fuel*
6 *outside the United States.*

7 “(2) *BIODIESEL AND ALTERNATIVE FUELS.*—*No*
8 *credit shall be determined under this section with re-*
9 *spect to any biodiesel or alternative fuel which is pro-*
10 *duced outside the United States for use as a fuel out-*
11 *side the United States.*

12 *For purposes of this subsection, the term ‘United States’ in-*
13 *cludes any possession of the United States.’.*

14 “(2) *CONFORMING AMENDMENT.*—*Subsection (e)*
15 *of section 6427 is amended by redesignating para-*
16 *graph (5) as paragraph (6) and by inserting after*
17 *paragraph (4) the following new paragraph:*

18 “(5) *LIMITATION TO FUELS WITH CONNECTION*
19 *TO THE UNITED STATES.*—*No amount shall be pay-*
20 *able under paragraph (1) or (2) with respect to any*
21 *mixture or alternative fuel if credit is not allowed*
22 *with respect to such mixture or alternative fuel by*
23 *reason of section 6426(i).’.*

1 (d) *EFFECTIVE DATE.*—*The amendments made by this*
2 *section shall apply to claims for credit or payment made*
3 *on or after May 15, 2008.*

4 **SEC. 124. CREDIT FOR NEW QUALIFIED PLUG-IN ELECTRIC**
5 **DRIVE MOTOR VEHICLES.**

6 (a) *IN GENERAL.*—*Subpart B of part IV of subchapter*
7 *A of chapter 1 is amended by adding at the end the fol-*
8 *lowing new section:*

9 **“SEC. 30D. NEW QUALIFIED PLUG-IN ELECTRIC DRIVE**
10 **MOTOR VEHICLES.**

11 “(a) *ALLOWANCE OF CREDIT.*—*There shall be allowed*
12 *as a credit against the tax imposed by this chapter for the*
13 *taxable year an amount equal to the sum of the credit*
14 *amounts determined under subsection (b) with respect to*
15 *each new qualified plug-in electric drive motor vehicle*
16 *placed in service by the taxpayer during the taxable year.*

17 “(b) *PER VEHICLE DOLLAR LIMITATION.*—

18 “(1) *IN GENERAL.*—*The amount determined*
19 *under this subsection with respect to any new quali-*
20 *fied plug-in electric drive motor vehicle is the sum of*
21 *the amounts determined under paragraphs (2) and*
22 *(3) with respect to such vehicle.*

23 “(2) *BASE AMOUNT.*—*The amount determined*
24 *under this paragraph is \$3,000.*

1 “(3) *BATTERY CAPACITY.*—*In the case of a vehi-*
2 *cle which draws propulsion energy from a battery*
3 *with not less than 5 kilowatt hours of capacity, the*
4 *amount determined under this paragraph is \$200,*
5 *plus \$200 for each kilowatt hour of capacity in excess*
6 *of 5 kilowatt hours. The amount determined under*
7 *this paragraph shall not exceed \$2,000.*

8 “(c) *APPLICATION WITH OTHER CREDITS.*—

9 “(1) *BUSINESS CREDIT TREATED AS PART OF*
10 *GENERAL BUSINESS CREDIT.*—*So much of the credit*
11 *which would be allowed under subsection (a) for any*
12 *taxable year (determined without regard to this sub-*
13 *section) that is attributable to property of a character*
14 *subject to an allowance for depreciation shall be treat-*
15 *ed as a credit listed in section 38(b) for such taxable*
16 *year (and not allowed under subsection (a)).*

17 “(2) *PERSONAL CREDIT.*—

18 “(A) *IN GENERAL.*—*For purposes of this*
19 *title, the credit allowed under subsection (a) for*
20 *any taxable year (determined after application*
21 *of paragraph (1)) shall be treated as a credit al-*
22 *lowable under subpart A for such taxable year.*

23 “(B) *LIMITATION BASED ON AMOUNT OF*
24 *TAX.*—*In the case of a taxable year to which sec-*
25 *tion 26(a)(2) does not apply, the credit allowed*

1 *under subsection (a) for any taxable year (deter-*
2 *mined after application of paragraph (1)) shall*
3 *not exceed the excess of—*

4 *“(i) the sum of the regular tax liability*
5 *(as defined in section 26(b)) plus the tax*
6 *imposed by section 55, over*

7 *“(ii) the sum of the credits allowable*
8 *under subpart A (other than this section*
9 *and sections 23 and 25D) and section 27*
10 *for the taxable year.*

11 *“(d) NEW QUALIFIED PLUG-IN ELECTRIC DRIVE*
12 *MOTOR VEHICLE.—For purposes of this section—*

13 *“(1) IN GENERAL.—The term ‘new qualified*
14 *plug-in electric drive motor vehicle’ means a motor*
15 *vehicle (as defined in section 30(c)(2))—*

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

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

20 *“(C) which is made by a manufacturer,*

21 *“(D) which has a gross vehicle weight rat-*
22 *ing of less than 14,000 pounds,*

23 *“(E) which has received a certificate of con-*
24 *formity under the Clean Air Act and meets or*
25 *exceeds the Bin 5 Tier II emission standard es-*

1 *tablished in regulations prescribed by the Ad-*
2 *ministrator of the Environmental Protection*
3 *Agency under section 202(i) of the Clean Air Act*
4 *for that make and model year vehicle, and*

5 *“(F) which is propelled to a significant ex-*
6 *tent by an electric motor which draws electricity*
7 *from a battery which—*

8 *“(i) has a capacity of not less than 4*
9 *kilowatt hours, and*

10 *“(ii) is capable of being recharged from*
11 *an external source of electricity.*

12 *“(2) EXCEPTION.—The term ‘new qualified plug-*
13 *in electric drive motor vehicle’ shall not include any*
14 *vehicle which is not a passenger automobile or light*
15 *truck if such vehicle has a gross vehicle weight rating*
16 *of less than 8,500 pounds.*

17 *“(3) OTHER TERMS.—The terms ‘passenger auto-*
18 *mobile’, ‘light truck’, and ‘manufacturer’ have the*
19 *meanings given such terms in regulations prescribed*
20 *by the Administrator of the Environmental Protection*
21 *Agency for purposes of the administration of title II*
22 *of the Clean Air Act (42 U.S.C. 7521 et seq.).*

23 *“(4) BATTERY CAPACITY.—The term ‘capacity’*
24 *means, with respect to any battery, the quantity of*
25 *electricity which the battery is capable of storing, ex-*

1 *pressed in kilowatt hours, as measured from a 100*
2 *percent state of charge to a 0 percent state of charge.*

3 *“(e) LIMITATION ON NUMBER OF NEW QUALIFIED*
4 *PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES ELIGIBLE*
5 *FOR CREDIT.—*

6 *“(1) IN GENERAL.—In the case of a new quali-*
7 *fied plug-in electric drive motor vehicle sold during*
8 *the phaseout period, only the applicable percentage of*
9 *the credit otherwise allowable under subsection (a)*
10 *shall be allowed.*

11 *“(2) PHASEOUT PERIOD.—For purposes of this*
12 *subsection, the phaseout period is the period begin-*
13 *ning with the second calendar quarter following the*
14 *calendar quarter which includes the first date on*
15 *which the number of new qualified plug-in electric*
16 *drive motor vehicles manufactured by the manufac-*
17 *turer of the vehicle referred to in paragraph (1) sold*
18 *for use in the United States after the date of the en-*
19 *actment of this section, is at least 60,000.*

20 *“(3) APPLICABLE PERCENTAGE.—For purposes*
21 *of paragraph (1), the applicable percentage is—*

22 *“(A) 50 percent for the first 2 calendar*
23 *quarters of the phaseout period,*

24 *“(B) 25 percent for the 3d and 4th calendar*
25 *quarters of the phaseout period, and*

1 “(C) 0 percent for each calendar quarter
2 thereafter.

3 “(4) CONTROLLED GROUPS.—Rules similar to
4 the rules of section 30B(f)(4) shall apply for purposes
5 of this subsection.

6 “(f) SPECIAL RULES.—

7 “(1) BASIS REDUCTION.—The basis of any prop-
8 erty for which a credit is allowable under subsection
9 (a) shall be reduced by the amount of such credit (de-
10 termined without regard to subsection (c)).

11 “(2) RECAPTURE.—The Secretary shall, by regu-
12 lations, provide for recapturing the benefit of any
13 credit allowable under subsection (a) with respect to
14 any property which ceases to be property eligible for
15 such credit.

16 “(3) PROPERTY USED OUTSIDE UNITED STATES,
17 ETC., NOT QUALIFIED.—No credit shall be allowed
18 under subsection (a) with respect to any property re-
19 ferred to in section 50(b)(1) or with respect to the
20 portion of the cost of any property taken into account
21 under section 179.

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

1 “(5) *PROPERTY USED BY TAX-EXEMPT ENTITY;*
2 *INTERACTION WITH AIR QUALITY AND MOTOR VEHICLE*
3 *SAFETY STANDARDS.—Rules similar to the rules of*
4 *paragraphs (6) and (10) of section 30B(h) shall apply*
5 *for purposes of this section.”.*

6 (b) *COORDINATION WITH ALTERNATIVE MOTOR VEHI-*
7 *CLE CREDIT.—Section 30B(d)(3) is amended by adding at*
8 *the end the following new subparagraph:*

9 “(D) *EXCLUSION OF PLUG-IN VEHICLES.—*
10 *Any vehicle with respect to which a credit is al-*
11 *lowable under section 30D (determined without*
12 *regard to subsection (c) thereof) shall not be*
13 *taken into account under this section.”.*

14 (c) *CREDIT MADE PART OF GENERAL BUSINESS*
15 *CREDIT.—Section 38(b) is amended—*

16 (1) *by striking “and” each place it appears at*
17 *the end of any paragraph,*

18 (2) *by striking “plus” each place it appears at*
19 *the end of any paragraph,*

20 (3) *by striking the period at the end of para-*
21 *graph (31) and inserting “, plus”, and*

22 (4) *by adding at the end the following new para-*
23 *graph:*

1 “(32) the portion of the new qualified plug-in
2 electric drive motor vehicle credit to which section
3 30D(c)(1) applies.”.

4 (d) CONFORMING AMENDMENTS.—

5 (1)(A) Section 24(b)(3)(B), as amended by sec-
6 tion 104, is amended by striking “and 25D” and in-
7 serting “25D, and 30D”.

8 (B) Section 25(e)(1)(C)(ii) is amended by insert-
9 ing “30D,” after “25D,”.

10 (C) Section 25B(g)(2), as amended by section
11 104, is amended by striking “and 25D” and inserting
12 “, 25D, and 30D”.

13 (D) Section 26(a)(1), as amended by section 104,
14 is amended by striking “and 25D” and inserting
15 “25D, and 30D”.

16 (E) Section 1400C(d)(2) is amended by striking
17 “and 25D” and inserting “25D, and 30D”.

18 (2) Section 1016(a) is amended by striking
19 “and” at the end of paragraph (35), by striking the
20 period at the end of paragraph (36) and inserting “,
21 and”, and by adding at the end the following new
22 paragraph:

23 “(37) to the extent provided in section
24 30D(f)(1).”.

1 (3) *Section 6501(m) is amended by inserting*
2 “30D(f)(4),” after “30C(e)(5),”.

3 (4) *The table of sections for subpart B of part IV*
4 *of subchapter A of chapter 1 is amended by adding*
5 *at the end the following new item:*

 “Sec. 30D. *New qualified plug-in electric drive motor vehicles.*”.

6 (e) *TREATMENT OF ALTERNATIVE MOTOR VEHICLE*
7 *CREDIT AS A PERSONAL CREDIT.—*

8 (1) *IN GENERAL.—Paragraph (2) of section*
9 *30B(g) is amended to read as follows:*

10 “(2) *PERSONAL CREDIT.—The credit allowed*
11 *under subsection (a) for any taxable year (after ap-*
12 *plication of paragraph (1)) shall be treated as a cred-*
13 *it allowable under subpart A for such taxable year.*”.

14 (2) *CONFORMING AMENDMENTS.—*

15 (A) *Subparagraph (A) of section 30C(d)(2)*
16 *is amended by striking “sections 27, 30, and*
17 *30B” and inserting “sections 27 and 30”.*

18 (B) *Paragraph (3) of section 55(c) is*
19 *amended by striking “30B(g)(2),”.*

20 (f) *EFFECTIVE DATE.—*

21 (1) *IN GENERAL.—Except as otherwise provided*
22 *in this subsection, the amendments made by this sec-*
23 *tion shall apply to taxable years beginning after De-*
24 *cember 31, 2008.*

1 (2) *TREATMENT OF ALTERNATIVE MOTOR VEHI-*
2 *CLE CREDIT AS PERSONAL CREDIT.*—*The amendments*
3 *made by subsection (e) shall apply to taxable years*
4 *beginning after December 31, 2007.*

5 (g) *APPLICATION OF EGTRRA SUNSET.*—*The amend-*
6 *ment made by subsection (d)(1)(A) shall be subject to title*
7 *IX of the Economic Growth and Tax Relief Reconciliation*
8 *Act of 2001 in the same manner as the provision of such*
9 *Act to which such amendment relates.*

10 **SEC. 125. EXCLUSION FROM HEAVY TRUCK TAX FOR IDLING**

11 **REDUCTION UNITS AND ADVANCED INSULA-**
12 **TION.**

13 (a) *IN GENERAL.*—*Section 4053 is amended by adding*
14 *at the end the following new paragraphs:*

15 “(9) *IDLING REDUCTION DEVICE.*—*Any device or*
16 *system of devices which—*

17 “(A) *is designed to provide to a vehicle*
18 *those services (such as heat, air conditioning, or*
19 *electricity) that would otherwise require the oper-*
20 *ation of the main drive engine while the vehicle*
21 *is temporarily parked or remains stationary*
22 *using one or more devices affixed to a tractor,*
23 *and*

24 “(B) *is certified by the Secretary of Energy,*
25 *in consultation with the Administrator of the*

1 “(b) *QUALIFYING PROJECT EXPENDITURE AMOUNT.*—

2 *For purposes of this section—*

3 “(1) *IN GENERAL.*—*The term ‘qualifying project*
4 *expenditure amount’ means, with respect to any cal-*
5 *endar year, the sum of—*

6 “(A) *the total expenditures paid or incurred*
7 *during such calendar year by all New York Lib-*
8 *erty Zone governmental units and the Port Au-*
9 *thority of New York and New Jersey for any*
10 *portion of qualifying projects located wholly*
11 *within the City of New York, New York, and*

12 “(B) *any such expenditures—*

13 “(i) *paid or incurred in any preceding*
14 *calendar year which begins after the date of*
15 *enactment of this section, and*

16 “(ii) *not previously allocated under*
17 *paragraph (3).*

18 “(2) *QUALIFYING PROJECT.*—*The term ‘quali-*
19 *fying project’ means any transportation infrastruc-*
20 *ture project, including highways, mass transit sys-*
21 *tems, railroads, airports, ports, and waterways, in or*
22 *connecting with the New York Liberty Zone (as de-*
23 *finied in section 1400K(h)), which is designated as a*
24 *qualifying project under this section jointly by the*

1 *Governor of the State of New York and the Mayor of*
2 *the City of New York, New York.*

3 “(3) *GENERAL ALLOCATION.*—

4 “(A) *IN GENERAL.*—*The Governor of the*
5 *State of New York and the Mayor of the City of*
6 *New York, New York, shall jointly allocate to*
7 *each New York Liberty Zone governmental unit*
8 *the portion of the qualifying project expenditure*
9 *amount which may be taken into account by*
10 *such governmental unit under subsection (a) for*
11 *any calendar year in the credit period.*

12 “(B) *AGGREGATE LIMIT.*—*The aggregate*
13 *amount which may be allocated under subpara-*
14 *graph (A) for all calendar years in the credit pe-*
15 *riod shall not exceed \$2,000,000,000.*

16 “(C) *ANNUAL LIMIT.*—*The aggregate*
17 *amount which may be allocated under subpara-*
18 *graph (A) for any calendar year in the credit pe-*
19 *riod shall not exceed the sum of—*

20 “(i) *\$115,000,000 (\$425,000,000 in the*
21 *case of the last 2 years in the credit period),*
22 *plus*

23 “(ii) *the aggregate amount authorized*
24 *to be allocated under this paragraph for all*

1 *preceding calendar years in the credit pe-*
2 *riod which was not so allocated.*

3 “(D) *UNALLOCATED AMOUNTS AT END OF*
4 *CREDIT PERIOD.—If, as of the close of the credit*
5 *period, the amount under subparagraph (B) ex-*
6 *ceeds the aggregate amount allocated under sub-*
7 *paragraph (A) for all calendar years in the cred-*
8 *it period, the Governor of the State of New York*
9 *and the Mayor of the City of New York, New*
10 *York, may jointly allocate to New York Liberty*
11 *Zone governmental units for any calendar year*
12 *in the 5-year period following the credit period*
13 *an amount equal to—*

14 “(i) *the lesser of—*
15 “(I) *such excess, or*
16 “(II) *the qualifying project ex-*
17 *penditure amount for such calendar*
18 *year, reduced by*
19 “(ii) *the aggregate amount allocated*
20 *under this subparagraph for all preceding*
21 *calendar years.*

22 “(4) *ALLOCATION TO PAYROLL PERIODS.—Each*
23 *New York Liberty Zone governmental unit which has*
24 *been allocated a portion of the qualifying project ex-*
25 *penditure amount under paragraph (3) for a cal-*

1 *endar year may allocate such portion to payroll peri-*
2 *ods beginning in such calendar year as such govern-*
3 *mental unit determines appropriate.*

4 *“(c) CARRYOVER OF UNUSED ALLOCATIONS.—*

5 *“(1) IN GENERAL.—Except as provided in para-*
6 *graph (2), if the amount allocated under subsection*
7 *(b)(3) to a New York Liberty Zone governmental unit*
8 *for any calendar year exceeds the aggregate taxes im-*
9 *posed by section 3402 for which such governmental*
10 *unit is liable under section 3403 for periods begin-*
11 *ning in such year, such excess shall be carried to the*
12 *succeeding calendar year and added to the allocation*
13 *of such governmental unit for such succeeding cal-*
14 *endar year.*

15 *“(2) REALLOCATION.—If a New York Liberty*
16 *Zone governmental unit does not use an amount allo-*
17 *cated to it under subsection (b)(3) within the time*
18 *prescribed by the Governor of the State of New York*
19 *and the Mayor of the City of New York, New York,*
20 *then such amount shall after such time be treated for*
21 *purposes of subsection (b)(3) in the same manner as*
22 *if it had never been allocated.*

23 *“(d) DEFINITIONS AND SPECIAL RULES.—For pur-*
24 *poses of this section—*

1 “(1) *CREDIT PERIOD.*—*The term ‘credit period’*
2 *means the 12-year period beginning on January 1,*
3 *2009.*

4 “(2) *NEW YORK LIBERTY ZONE GOVERNMENTAL*
5 *UNIT.*—*The term ‘New York Liberty Zone govern-*
6 *mental unit’ means—*

7 “(A) *the State of New York,*

8 “(B) *the City of New York, New York, and*

9 “(C) *any agency or instrumentality of such*
10 *State or City.*

11 “(3) *TREATMENT OF FUNDS.*—*Any expenditure*
12 *for a qualifying project taken into account for pur-*
13 *poses of the credit under this section shall be consid-*
14 *ered State and local funds for the purpose of any Fed-*
15 *eral program.*

16 “(4) *TREATMENT OF CREDIT AMOUNTS FOR PUR-*
17 *POSES OF WITHHOLDING TAXES.*—*For purposes of*
18 *this title, a New York Liberty Zone governmental*
19 *unit shall be treated as having paid to the Secretary,*
20 *on the day on which wages are paid to employees, an*
21 *amount equal to the amount of the credit allowed to*
22 *such entity under subsection (a) with respect to such*
23 *wages, but only if such governmental unit deducts*
24 *and withholds wages for such payroll period under*
25 *section 3401 (relating to wage withholding).*

1 “(e) *REPORTING.*—*The Governor of the State of New*
2 *York and the Mayor of the City of New York, New York,*
3 *shall jointly submit to the Secretary an annual report—*

4 “(1) *which certifies—*

5 “(A) *the qualifying project expenditure*
6 *amount for the calendar year, and*

7 “(B) *the amount allocated to each New York*
8 *Liberty Zone governmental unit under sub-*
9 *section (b)(3) for the calendar year, and*

10 “(2) *includes such other information as the Sec-*
11 *retary may require to carry out this section.*

12 “(f) *GUIDANCE.*—*The Secretary may prescribe such*
13 *guidance as may be necessary or appropriate to ensure com-*
14 *pliance with the purposes of this section.”.*

15 (b) *TERMINATION OF SPECIAL ALLOWANCE AND EX-*
16 *PENSING.*—*Subparagraph (A) of section 1400K(b)(2), as re-*
17 *designated by subsection (a), is amended by striking the*
18 *parenthetical therein and inserting “(in the case of nonresi-*
19 *dential real property and residential rental property, the*
20 *date of the enactment of the Renewable Energy and Job Cre-*
21 *ation Act of 2008 or, if acquired pursuant to a binding*
22 *contract in effect on such enactment date, December 31,*
23 *2009)”.*

24 (c) *CONFORMING AMENDMENTS.*—

1 “(C) *the applicable annual limitation in*
2 *the case of any qualified bicycle commuting re-*
3 *imbursement.*”.

4 (c) *DEFINITIONS.—Paragraph (5) of section 132(f) is*
5 *amended by adding at the end the following:*

6 “(F) *DEFINITIONS RELATED TO BICYCLE*
7 *COMMUTING REIMBURSEMENT.—*

8 “(i) *QUALIFIED BICYCLE COMMUTING*
9 *REIMBURSEMENT.—The term ‘qualified bi-*
10 *cycle commuting reimbursement’ means,*
11 *with respect to any calendar year, any em-*
12 *ployer reimbursement during the 15-month*
13 *period beginning with the first day of such*
14 *calendar year for reasonable expenses in-*
15 *curring by the employee during such cal-*
16 *endar year for the purchase of a bicycle and*
17 *bicycle improvements, repair, and storage,*
18 *if such bicycle is regularly used for travel*
19 *between the employee’s residence and place*
20 *of employment.*

21 “(ii) *APPLICABLE ANNUAL LIMITA-*
22 *TION.—The term ‘applicable annual limita-*
23 *tion’ means, with respect to any employee*
24 *for any calendar year, the product of \$20*

1 *multiplied by the number of qualified bicy-*
2 *cle commuting months during such year.*

3 “(iii) **QUALIFIED BICYCLE COMMUTING**
4 **MONTH.**—*The term ‘qualified bicycle com-*
5 *muting month’ means, with respect to any*
6 *employee, any month during which such*
7 *employee—*

8 *“(I) regularly uses the bicycle for*
9 *a substantial portion of the travel be-*
10 *tween the employee’s residence and*
11 *place of employment, and*

12 *“(II) does not receive any benefit*
13 *described in subparagraph (A), (B), or*
14 *(C) of paragraph (1).”.*

15 (d) **CONSTRUCTIVE RECEIPT OF BENEFIT.**—*Para-*
16 *graph (4) of section 132(f) is amended by inserting “(other*
17 *than a qualified bicycle commuting reimbursement)” after*
18 *“qualified transportation fringe”.*

19 (e) **EFFECTIVE DATE.**—*The amendments made by this*
20 *section shall apply to taxable years beginning after Decem-*
21 *ber 31, 2008.*

22 **SEC. 128. ALTERNATIVE FUEL VEHICLE REFUELING PROP-**
23 **ERTY CREDIT.**

24 (a) **INCREASE IN CREDIT AMOUNT.**—*Section 30C is*
25 *amended—*

1 (1) *by striking “30 percent” in subsection (a)*
2 *and inserting “50 percent”, and*

3 (2) *by striking “\$30,000” in subsection (b)(1)*
4 *and inserting “\$50,000”.*

5 (b) *EXTENSION OF CREDIT.*—*Paragraph (2) of section*
6 *30C(g) is amended by striking “December 31, 2009” and*
7 *inserting “December 31, 2010”.*

8 (c) *EFFECTIVE DATE.*—*The amendments made by this*
9 *section shall apply to property placed in service after the*
10 *date of the enactment of this Act, in taxable years ending*
11 *after such date.*

12 ***Subtitle C—Energy Conservation***
13 ***and Efficiency Provisions***

14 ***SEC. 141. QUALIFIED ENERGY CONSERVATION BONDS.***

15 (a) *IN GENERAL.*—*Subpart I of part IV of subchapter*
16 *A of chapter 1, as added by section 106, is amended by*
17 *adding at the end the following new section:*

18 ***“SEC. 54C. QUALIFIED ENERGY CONSERVATION BONDS.***

19 ***“(a) QUALIFIED ENERGY CONSERVATION BOND.***—*For*
20 *purposes of this subchapter, the term ‘qualified energy con-*
21 *servaion bond’ means any bond issued as part of an issue*
22 *if—*

23 ***“(1) 100 percent of the available project proceeds***
24 ***of such issue are to be used for one or more qualified***
25 ***conservation purposes,***

1 “(2) *the bond is issued by a State or local gov-*
2 *ernment, and*

3 “(3) *the issuer designates such bond for purposes*
4 *of this section.*

5 “(b) *REDUCED CREDIT AMOUNT.—The annual credit*
6 *determined under section 54A(b) with respect to any quali-*
7 *fied energy conservation bond shall be 70 percent of the*
8 *amount so determined without regard to this subsection.*

9 “(c) *LIMITATION ON AMOUNT OF BONDS DES-*
10 *IGNATED.—The maximum aggregate face amount of bonds*
11 *which may be designated under subsection (a) by any issuer*
12 *shall not exceed the limitation amount allocated to such*
13 *issuer under subsection (e).*

14 “(d) *NATIONAL LIMITATION ON AMOUNT OF BONDS*
15 *DESIGNATED.—There is a national qualified energy con-*
16 *servation bond limitation of \$3,000,000,000.*

17 “(e) *ALLOCATIONS.—*

18 “(1) *IN GENERAL.—The limitation applicable*
19 *under subsection (d) shall be allocated by the Sec-*
20 *retary among the States in proportion to the popu-*
21 *lation of the States.*

22 “(2) *ALLOCATIONS TO LARGEST LOCAL GOVERN-*
23 *MENTS.—*

24 “(A) *IN GENERAL.—In the case of any*
25 *State in which there is a large local government,*

1 *each such local government shall be allocated a*
2 *portion of such State's allocation which bears the*
3 *same ratio to the State's allocation (determined*
4 *without regard to this subparagraph) as the pop-*
5 *ulation of such large local government bears to*
6 *the population of such State.*

7 “(B) *ALLOCATION OF UNUSED LIMITATION*
8 *TO STATE.—The amount allocated under this*
9 *subsection to a large local government may be re-*
10 *allocated by such local government to the State*
11 *in which such local government is located.*

12 “(C) *LARGE LOCAL GOVERNMENT.—For*
13 *purposes of this section, the term ‘large local gov-*
14 *ernment’ means any municipality or county if*
15 *such municipality or county has a population of*
16 *100,000 or more.*

17 “(3) *ALLOCATION TO ISSUERS; RESTRICTION ON*
18 *PRIVATE ACTIVITY BONDS.—Any allocation under this*
19 *subsection to a State or large local government shall*
20 *be allocated by such State or large local government*
21 *to issuers within the State in a manner that results*
22 *in not less than 70 percent of the allocation to such*
23 *State or large local government being used to des-*
24 *ignate bonds which are not private activity bonds.*

1 “(f) *QUALIFIED CONSERVATION PURPOSE.*—*For pur-*
2 *poses of this section—*

3 “(1) *IN GENERAL.*—*The term ‘qualified conserva-*
4 *tion purpose’ means any of the following:*

5 “(A) *Capital expenditures incurred for pur-*
6 *poses of—*

7 “(i) *reducing energy consumption in*
8 *publicly-owned buildings by at least 20 per-*
9 *cent,*

10 “(ii) *implementing green community*
11 *programs,*

12 “(iii) *rural development involving the*
13 *production of electricity from renewable en-*
14 *ergy resources, or*

15 “(iv) *any qualified facility (as deter-*
16 *mined under section 45(d) without regard*
17 *to paragraphs (8) and (10) thereof and*
18 *without regard to any placed in service*
19 *date).*

20 “(B) *Expenditures with respect to research*
21 *facilities, and research grants, to support re-*
22 *search in—*

23 “(i) *development of cellulosic ethanol*
24 *or other nonfossil fuels,*

1 “(ii) technologies for the capture and
2 sequestration of carbon dioxide produced
3 through the use of fossil fuels,

4 “(iii) increasing the efficiency of exist-
5 ing technologies for producing nonfossil
6 fuels,

7 “(iv) automobile battery technologies
8 and other technologies to reduce fossil fuel
9 consumption in transportation, or

10 “(v) technologies to reduce energy use
11 in buildings.

12 “(C) Mass commuting facilities and related
13 facilities that reduce the consumption of energy,
14 including expenditures to reduce pollution from
15 vehicles used for mass commuting.

16 “(D) Demonstration projects designed to
17 promote the commercialization of—

18 “(i) green building technology,

19 “(ii) conversion of agricultural waste
20 for use in the production of fuel or other-
21 wise,

22 “(iii) advanced battery manufacturing
23 technologies,

24 “(iv) technologies to reduce peak use of
25 electricity, or

1 “(v) *technologies for the capture and*
2 *sequestration of carbon dioxide emitted from*
3 *combusting fossil fuels in order to produce*
4 *electricity.*

5 “(E) *Public education campaigns to pro-*
6 *mote energy efficiency.*

7 “(2) *SPECIAL RULES FOR PRIVATE ACTIVITY*
8 *BONDS.—For purposes of this section, in the case of*
9 *any private activity bond, the term ‘qualified con-*
10 *servation purposes’ shall not include any expenditure*
11 *which is not a capital expenditure.*

12 “(g) *POPULATION.—*

13 “(1) *IN GENERAL.—The population of any State*
14 *or local government shall be determined for purposes*
15 *of this section as provided in section 146(j) for the*
16 *calendar year which includes the date of the enact-*
17 *ment of this section.*

18 “(2) *SPECIAL RULE FOR COUNTIES.—In deter-*
19 *mining the population of any county for purposes of*
20 *this section, any population of such county which is*
21 *taken into account in determining the population of*
22 *any municipality which is a large local government*
23 *shall not be taken into account in determining the*
24 *population of such county.*

1 “(h) *APPLICATION TO INDIAN TRIBAL GOVERN-*
2 *MENTS.—An Indian tribal government shall be treated for*
3 *purposes of this section in the same manner as a large local*
4 *government, except that—*

5 “(1) *an Indian tribal government shall be treat-*
6 *ed for purposes of subsection (e) as located within a*
7 *State to the extent of so much of the population of*
8 *such government as resides within such State, and*

9 “(2) *any bond issued by an Indian tribal gov-*
10 *ernment shall be treated as a qualified energy con-*
11 *servation bond only if issued as part of an issue the*
12 *available project proceeds of which are used for pur-*
13 *poses for which such Indian tribal government could*
14 *issue bonds to which section 103(a) applies.”.*

15 **(b) CONFORMING AMENDMENTS.—**

16 “(1) *Paragraph (1) of section 54A(d), as added by*
17 *section 106, is amended to read as follows:*

18 “(1) **QUALIFIED TAX CREDIT BOND.—***The term*
19 *‘qualified tax credit bond’ means—*

20 “(A) *a new clean renewable energy bond, or*

21 “(B) *a qualified energy conservation bond,*
22 *which is part of an issue that meets requirements of*
23 *paragraphs (2), (3), (4), (5), and (6).”.*

24 “(2) *Subparagraph (C) of section 54A(d)(2), as*
25 *added by section 106, is amended to read as follows:*

1 “(C) *QUALIFIED PURPOSE.*—*For purposes*
2 *of this paragraph, the term ‘qualified purpose’*
3 *means—*

4 “(i) *in the case of a new clean renew-*
5 *able energy bond, a purpose specified in sec-*
6 *tion 54B(a)(1), and*

7 “(ii) *in the case of a qualified energy*
8 *conservation bond, a purpose specified in*
9 *section 54C(a)(1).”.*

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

 “*Sec. 54C. Qualified energy conservation bonds.*”.

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

16 **SEC. 142. CREDIT FOR NONBUSINESS ENERGY PROPERTY.**

17 (a) *EXTENSION OF CREDIT.*—*Section 25C(g) is*
18 *amended by striking “December 31, 2007” and inserting*
19 *“December 31, 2008”.*

20 (b) *QUALIFIED BIOMASS FUEL PROPERTY.*—

21 (1) *IN GENERAL.*—*Section 25C(d)(3) is amend-*
22 *ed—*

23 (A) *by striking “and” at the end of sub-*
24 *paragraph (D),*

1 (B) by striking the period at the end of sub-
2 paragraph (E) and inserting “, and”, and

3 (C) by adding at the end the following new
4 subparagraph:

5 “(F) a stove which uses the burning of bio-
6 mass fuel to heat a dwelling unit located in the
7 United States and used as a residence by the
8 taxpayer, or to heat water for use in such a
9 dwelling unit, and which has a thermal effi-
10 ciency rating of at least 75 percent.”.

11 (2) *BIOMASS FUEL*.—Section 25C(d) is amended
12 by adding at the end the following new paragraph:

13 “(6) *BIOMASS FUEL*.—The term ‘biomass fuel’
14 means any plant-derived fuel available on a renew-
15 able or recurring basis, including agricultural crops
16 and trees, wood and wood waste and residues (includ-
17 ing wood pellets), plants (including aquatic plants),
18 grasses, residues, and fibers.”.

19 (c) *COORDINATION WITH CREDIT FOR QUALIFIED*
20 *GEOTHERMAL HEAT PUMP PROPERTY EXPENDITURES*.—

21 (1) *IN GENERAL*.—Paragraph (3) of section
22 25C(d), as amended by subsection (b), is amended by
23 striking subparagraph (C) and by redesignating sub-
24 paragraphs (D), (E), and (F) as subparagraphs (C),
25 (D), and (E), respectively.

1 (2) *CONFORMING AMENDMENT.*—Subparagraph
2 (C) of section 25C(d)(2) is amended to read as fol-
3 lows:

4 “(C) *REQUIREMENTS AND STANDARDS FOR*
5 *AIR CONDITIONERS AND HEAT PUMPS.*—The
6 standards and requirements prescribed by the
7 Secretary under subparagraph (B) with respect
8 to the energy efficiency ratio (EER) for central
9 air conditioners and electric heat pumps—

10 “(i) shall require measurements to be
11 based on published data which is tested by
12 manufacturers at 95 degrees Fahrenheit,
13 and

14 “(ii) may be based on the certified
15 data of the Air Conditioning and Refrigera-
16 tion Institute that are prepared in partner-
17 ship with the Consortium for Energy Effi-
18 ciency.”.

19 (d) *EFFECTIVE DATE.*—The amendments made this
20 section shall apply to expenditures made after December 31,
21 2007.

22 **SEC. 143. ENERGY EFFICIENT COMMERCIAL BUILDINGS DE-**
23 **DUCTION.**

24 Subsection (h) of section 179D is amended by striking
25 “December 31, 2008” and inserting “December 31, 2013”.

1 **SEC. 144. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**
2 **ANCE CREDIT FOR APPLIANCES PRODUCED**
3 **AFTER 2007.**

4 (a) *IN GENERAL.*—*Subsection (b) of section 45M is*
5 *amended to read as follows:*

6 “(b) *APPLICABLE AMOUNT.*—*For purposes of sub-*
7 *section (a)—*

8 “(1) *DISHWASHERS.*—*The applicable amount*
9 *is—*

10 “(A) *\$45 in the case of a dishwasher which*
11 *is manufactured in calendar year 2008 or 2009*
12 *and which uses no more than 324 kilowatt hours*
13 *per year and 5.8 gallons per cycle, and*

14 “(B) *\$75 in the case of a dishwasher which*
15 *is manufactured in calendar year 2008, 2009, or*
16 *2010 and which uses no more than 307 kilowatt*
17 *hours per year and 5.0 gallons per cycle (5.5 gal-*
18 *lons per cycle for dishwashers designed for great-*
19 *er than 12 place settings).*

20 “(2) *CLOTHES WASHERS.*—*The applicable*
21 *amount is—*

22 “(A) *\$75 in the case of a residential top-*
23 *loading clothes washer manufactured in calendar*
24 *year 2008 which meets or exceeds a 1.72 modi-*
25 *fied energy factor and does not exceed a 8.0*
26 *water consumption factor,*

1 “(B) \$125 in the case of a residential top-
2 loading clothes washer manufactured in calendar
3 year 2008 or 2009 which meets or exceeds a 1.8
4 modified energy factor and does not exceed a 7.5
5 water consumption factor,

6 “(C) \$150 in the case of a residential or
7 commercial clothes washer manufactured in cal-
8 endar year 2008, 2009, or 2010 which meets or
9 exceeds 2.0 modified energy factor and does not
10 exceed a 6.0 water consumption factor, and

11 “(D) \$250 in the case of a residential or
12 commercial clothes washer manufactured in cal-
13 endar year 2008, 2009, or 2010 which meets or
14 exceeds 2.2 modified energy factor and does not
15 exceed a 4.5 water consumption factor.

16 “(3) REFRIGERATORS.—The applicable amount
17 is—

18 “(A) \$50 in the case of a refrigerator which
19 is manufactured in calendar year 2008, and con-
20 sumes at least 20 percent but not more than 22.9
21 percent less kilowatt hours per year than the
22 2001 energy conservation standards,

23 “(B) \$75 in the case of a refrigerator which
24 is manufactured in calendar year 2008 or 2009,
25 and consumes at least 23 percent but no more

1 *than 24.9 percent less kilowatt hours per year*
2 *than the 2001 energy conservation standards,*

3 “(C) \$100 in the case of a refrigerator
4 *which is manufactured in calendar year 2008,*
5 *2009, or 2010, and consumes at least 25 percent*
6 *but not more than 29.9 percent less kilowatt*
7 *hours per year than the 2001 energy conserva-*
8 *tion standards, and*

9 “(D) \$200 in the case of a refrigerator man-
10 *ufactured in calendar year 2008, 2009, or 2010*
11 *and which consumes at least 30 percent less en-*
12 *ergy than the 2001 energy conservation stand-*
13 *ards.”.*

14 **(b) ELIGIBLE PRODUCTION.—**

15 **(1) SIMILAR TREATMENT FOR ALL APPLI-**
16 **ANCES.—***Subsection (c) of section 45M is amended—*

17 **(A) by striking paragraph (2),**

18 **(B) by striking “(1) IN GENERAL” and all**
19 *that follows through “the eligible” and inserting*
20 *“The eligible”,*

21 **(C) by moving the text of such subsection in**
22 *line with the subsection heading, and*

23 **(D) by redesignating subparagraphs (A)**
24 *and (B) as paragraphs (1) and (2), respectively,*

1 *and by moving such paragraphs 2 ems to the*
2 *left.*

3 (2) *MODIFICATION OF BASE PERIOD.*—*Para-*
4 *graph (2) of section 45M(c), as amended by para-*
5 *graph (1), is amended by striking “3-calendar year”*
6 *and inserting “2-calendar year”.*

7 (c) *TYPES OF ENERGY EFFICIENT APPLIANCES.*—*Sub-*
8 *section (d) of section 45M (defining types of energy efficient*
9 *appliances) is amended to read as follows:*

10 “(d) *TYPES OF ENERGY EFFICIENT APPLIANCE.*—*For*
11 *purposes of this section, the types of energy efficient appli-*
12 *ances are—*

13 “(1) *dishwashers described in subsection (b)(1),*

14 “(2) *clothes washers described in subsection*
15 *(b)(2), and*

16 “(3) *refrigerators described in subsection*
17 *(b)(3).”.*

18 (d) *AGGREGATE CREDIT AMOUNT ALLOWED.*—

19 (1) *INCREASE IN LIMIT.*—*Paragraph (1) of sec-*
20 *tion 45M(e) is amended to read as follows:*

21 “(1) *AGGREGATE CREDIT AMOUNT ALLOWED.*—

22 *The aggregate amount of credit allowed under sub-*
23 *section (a) with respect to a taxpayer for any taxable*
24 *year shall not exceed \$75,000,000 reduced by the*
25 *amount of the credit allowed under subsection (a) to*

1 *the taxpayer (or any predecessor) for all prior taxable*
2 *years beginning after December 31, 2007.”.*

3 (2) *EXCEPTION FOR CERTAIN REFRIGERATOR*
4 *AND CLOTHES WASHERS.—Paragraph (2) of section*
5 *45M(e) is amended to read as follows:*

6 “(2) *AMOUNT ALLOWED FOR CERTAIN REFRIG-*
7 *ERATORS AND CLOTHES WASHERS.—Refrigerators de-*
8 *scribed in subsection (b)(3)(D) and clothes washers*
9 *described in subsection (b)(2)(D) shall not be taken*
10 *into account under paragraph (1).”.*

11 (e) *QUALIFIED ENERGY EFFICIENT APPLIANCES.—*

12 (1) *IN GENERAL.—Paragraph (1) of section*
13 *45M(f) (defining qualified energy efficient appliance)*
14 *is amended to read as follows:*

15 “(1) *QUALIFIED ENERGY EFFICIENT APPLI-*
16 *ANCE.—The term ‘qualified energy efficient appliance’*
17 *means—*

18 “(A) *any dishwasher described in subsection*
19 *(b)(1),*

20 “(B) *any clothes washer described in sub-*
21 *section (b)(2), and*

22 “(C) *any refrigerator described in sub-*
23 *section (b)(3).”.*

1 (2) *CLOTHES WASHER.*—Section 45M(f)(3) is
2 amended by inserting “commercial” before “residen-
3 tial” the second place it appears.

4 (3) *TOP-LOADING CLOTHES WASHER.*—Sub-
5 section (f) of section 45M is amended by redesignating
6 paragraphs (4), (5), (6), and (7) as paragraphs (5),
7 (6), (7), and (8), respectively, and by inserting after
8 paragraph (3) the following new paragraph:

9 “(4) *TOP-LOADING CLOTHES WASHER.*—The
10 term ‘top-loading clothes washer’ means a clothes
11 washer which has the clothes container compartment
12 access located on the top of the machine and which
13 operates on a vertical axis.”.

14 (4) *REPLACEMENT OF ENERGY FACTOR.*—Section
15 45M(f)(6), as redesignated by paragraph (3), is
16 amended to read as follows:

17 “(6) *MODIFIED ENERGY FACTOR.*—The term
18 ‘modified energy factor’ means the modified energy
19 factor established by the Department of Energy for
20 compliance with the Federal energy conservation
21 standard.”.

22 (5) *GALLONS PER CYCLE; WATER CONSUMPTION*
23 *FACTOR.*—Section 45M(f), as amended by paragraph
24 (3), is amended by adding at the end the following:

1 “(18) *QUALIFIED SMART ELECTRIC METERS.*—

2 “(A) *IN GENERAL.*—*The term ‘qualified*
3 *smart electric meter’ means any smart electric*
4 *meter which is placed in service by a taxpayer*
5 *who is a supplier of electric energy or a provider*
6 *of electric energy services.*

7 “(B) *SMART ELECTRIC METER.*—*For pur-*
8 *poses of subparagraph (A), the term ‘smart elec-*
9 *tric meter’ means any time-based meter and re-*
10 *lated communication equipment which is capable*
11 *of being used by the taxpayer as part of a system*
12 *that—*

13 “(i) *measures and records electricity*
14 *usage data on a time-differentiated basis in*
15 *at least 24 separate time segments per day,*

16 “(ii) *provides for the exchange of infor-*
17 *mation between supplier or provider and*
18 *the customer’s electric meter in support of*
19 *time-based rates or other forms of demand*
20 *response,*

21 “(iii) *provides data to such supplier or*
22 *provider so that the supplier or provider*
23 *can provide energy usage information to*
24 *customers electronically, and*

25 “(iv) *provides net metering.*

1 “(19) *QUALIFIED SMART ELECTRIC GRID SYS-*
2 *TEMS.—*

3 “(A) *IN GENERAL.—The term ‘qualified*
4 *smart electric grid system’ means any smart*
5 *grid property used as part of a system for elec-*
6 *tric distribution grid communications, moni-*
7 *toring, and management placed in service by a*
8 *taxpayer who is a supplier of electric energy or*
9 *a provider of electric energy services.*

10 “(B) *SMART GRID PROPERTY.—For the pur-*
11 *poses of subparagraph (A), the term ‘smart grid*
12 *property’ means electronics and related equip-*
13 *ment that is capable of—*

14 “(i) *sensing, collecting, and monitoring*
15 *data of or from all portions of a utility’s*
16 *electric distribution grid,*

17 “(ii) *providing real-time, two-way*
18 *communications to monitor or manage such*
19 *grid, and*

20 “(iii) *providing real time analysis of*
21 *and event prediction based upon collected*
22 *data that can be used to improve electric*
23 *distribution system reliability, quality, and*
24 *performance.”.*

1 (c) *CONTINUED APPLICATION OF 150 PERCENT DE-*
2 *CLINING BALANCE METHOD.*—Paragraph (2) of section
3 168(b) is amended by striking “or” at the end of subpara-
4 graph (B), by redesignating subparagraph (C) as subpara-
5 graph (D), and by inserting after subparagraph (B) the fol-
6 lowing new subparagraph:

7 “(C) any property (other than property de-
8 scribed in paragraph (3)) which is a qualified
9 smart electric meter or qualified smart electric
10 grid system, or”.

11 (d) *EFFECTIVE DATE.*—The amendments made by this
12 section shall apply to property placed in service after the
13 date of the enactment of this Act.

14 **SEC. 146. QUALIFIED GREEN BUILDING AND SUSTAINABLE**
15 **DESIGN PROJECTS.**

16 (a) *IN GENERAL.*—Paragraph (8) of section 142(l) is
17 amended by striking “September 30, 2009” and inserting
18 “September 30, 2012”.

19 (b) *TREATMENT OF CURRENT REFUNDING BONDS.*—
20 Paragraph (9) of section 142(l) is amended by striking “Oc-
21 tober 1, 2009” and inserting “October 1, 2012”.

22 (c) *ACCOUNTABILITY.*—The second sentence of section
23 701(d) of the American Jobs Creation Act of 2004 is amend-
24 ed by striking “issuance,” and inserting “issuance of the
25 last issue with respect to such project,”.

1 **TITLE II—ONE-YEAR EXTENSION**
2 **OF TEMPORARY PROVISIONS**
3 **Subtitle A—Extensions Primarily**
4 **Affecting Individuals**

5 **SEC. 201. DEDUCTION FOR STATE AND LOCAL SALES TAXES.**

6 (a) *IN GENERAL.*—Subparagraph (I) of section
7 164(b)(5) is amended by striking “January 1, 2008” and
8 inserting “January 1, 2009”.

9 (b) *EFFECTIVE DATE.*—The amendment made by this
10 section shall apply to taxable years beginning after Decem-
11 ber 31, 2007.

12 **SEC. 202. DEDUCTION OF QUALIFIED TUITION AND RE-**
13 **LATED EXPENSES.**

14 (a) *IN GENERAL.*—Subsection (e) of section 222 is
15 amended by striking “December 31, 2007” and inserting
16 “December 31, 2008”.

17 (b) *EFFECTIVE DATE.*—The amendment made by this
18 section shall apply to taxable years beginning after Decem-
19 ber 31, 2007.

20 **SEC. 203. TREATMENT OF CERTAIN DIVIDENDS OF REGU-**
21 **LATED INVESTMENT COMPANIES.**

22 (a) *INTEREST-RELATED DIVIDENDS.*—Subparagraph
23 (C) of section 871(k)(1) (defining interest-related dividend)
24 is amended by striking “December 31, 2007” and inserting
25 “December 31, 2008”.

1 (b) *SHORT-TERM CAPITAL GAIN DIVIDENDS.*—Sub-
2 *paragraph (C) of section 871(k)(2) (defining short-term*
3 *capital gain dividend) is amended by striking “December*
4 *31, 2007” and inserting “December 31, 2008”.*

5 (c) *EFFECTIVE DATE.*—*The amendments made by this*
6 *section shall apply to dividends with respect to taxable*
7 *years of regulated investment companies beginning after*
8 *December 31, 2007.*

9 **SEC. 204. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RE-**
10 **TIREMENT PLANS FOR CHARITABLE PUR-**
11 **POSES.**

12 (a) *IN GENERAL.*—*Subparagraph (F) of section*
13 *408(d)(8) is amended by striking “December 31, 2007” and*
14 *inserting “December 31, 2008”.*

15 (b) *EFFECTIVE DATE.*—*The amendment made by this*
16 *section shall apply to distributions made in taxable years*
17 *beginning after December 31, 2007.*

18 **SEC. 205. DEDUCTION FOR CERTAIN EXPENSES OF ELEMEN-**
19 **TARY AND SECONDARY SCHOOL TEACHERS.**

20 (a) *IN GENERAL.*—*Subparagraph (D) of section*
21 *62(a)(2) is amended by striking “or 2007” and inserting*
22 *“2007, or 2008”.*

23 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
24 *section (a) shall apply to taxable years beginning after De-*
25 *cember 31, 2007.*

1 **SEC. 206. ELECTION TO INCLUDE COMBAT PAY AS EARNED**
2 **INCOME FOR PURPOSES OF EARNED INCOME**
3 **TAX CREDIT.**

4 (a) *IN GENERAL.*—Subclause (II) of section
5 32(c)(2)(B)(vi) (defining earned income) is amended by
6 striking “January 1, 2008” and inserting “January 1,
7 2009”.

8 (b) *CONFORMING AMENDMENT.*—Paragraph (4) of sec-
9 tion 6428(e) is amended by striking “except that” and all
10 that follows through “such term” and inserting “except that
11 such term”.

12 (c) *EFFECTIVE DATE.*—The amendment made by this
13 section shall apply to taxable years ending after December
14 31, 2007.

15 **SEC. 207. MODIFICATION OF MORTGAGE REVENUE BONDS**
16 **FOR VETERANS.**

17 (a) *QUALIFIED MORTGAGE BONDS USED TO FINANCE*
18 *RESIDENCES FOR VETERANS WITHOUT REGARD TO FIRST-*
19 *TIME HOMEBUYER REQUIREMENT.*—Subparagraph (D) of
20 section 143(d)(2) is amended by striking “January 1,
21 2008” and inserting “January 1, 2009”.

22 (b) *EFFECTIVE DATE.*—The amendment made by this
23 section shall apply to bonds issued after December 31, 2007.

1 **SEC. 208. DISTRIBUTIONS FROM RETIREMENT PLANS TO IN-**
2 **DIVIDUALS CALLED TO ACTIVE DUTY.**

3 (a) *IN GENERAL.*—Clause (iv) of section 72(t)(2)(G)
4 is amended by striking “December 31, 2007” and inserting
5 “January 1, 2009”.

6 (b) *EFFECTIVE DATE.*—The amendment made by this
7 section shall apply to individuals ordered or called to active
8 duty on or after December 31, 2007.

9 **SEC. 209. STOCK IN RIC FOR PURPOSES OF DETERMINING**
10 **ESTATES OF NONRESIDENTS NOT CITIZENS.**

11 (a) *IN GENERAL.*—Paragraph (3) of section 2105(d)
12 is amended by striking “December 31, 2007” and inserting
13 “December 31, 2008”.

14 (b) *EFFECTIVE DATE.*—The amendment made by this
15 section shall apply to decedents dying after December 31,
16 2007.

17 **SEC. 210. QUALIFIED INVESTMENT ENTITIES.**

18 (a) *IN GENERAL.*—Clause (ii) of section 897(h)(4)(A)
19 is amended by striking “December 31, 2007” and inserting
20 “December 31, 2008”.

21 (b) *EFFECTIVE DATE.*—The amendment made by sub-
22 section (a) shall take effect on January 1, 2008, except that
23 such amendment shall not apply to the application of with-
24 holding requirements with respect to any payment made
25 on or before the date of the enactment of this Act.

1 **SEC. 211. EXCLUSION OF AMOUNTS RECEIVED UNDER**
2 **QUALIFIED GROUP LEGAL SERVICES PLANS.**

3 (a) *IN GENERAL.*—Subsection (e) of section 120 is
4 amended by striking “shall not apply to taxable years be-
5 ginning after June 30, 1992” and inserting “shall apply
6 to taxable years beginning after December 31, 2007, and
7 before January 1, 2009”.

8 (b) *EFFECTIVE DATE.*—The amendments made by this
9 section shall apply to taxable years beginning after Decem-
10 ber 31, 2007.

11 **Subtitle B—Extensions Primarily**
12 **Affecting Businesses**

13 **SEC. 221. RESEARCH CREDIT.**

14 (a) *IN GENERAL.*—Subparagraph (B) of section
15 41(h)(1) is amended by striking “December 31, 2007” and
16 inserting “December 31, 2008”.

17 (b) *COMPUTATION OF CREDIT FOR TAXABLE YEAR IN*
18 *WHICH CREDIT TERMINATES.*—Paragraph (2) of section
19 41(h) is amended to read as follows:

20 “(2) *COMPUTATION OF CREDIT FOR TAXABLE*
21 *YEAR IN WHICH CREDIT TERMINATES.*—

22 “(A) *IN GENERAL.*—In the case of any tax-
23 able year with respect to which this section ap-
24 plies to a number of days which is less than the
25 total number of days in such taxable year, the
26 applicable base amount with respect to such tax-

1 *able year shall be the amount which bears the*
2 *same ratio to such applicable amount (deter-*
3 *mined without regard to this paragraph) as the*
4 *number of days in such taxable year to which*
5 *this section applies bears to the total number of*
6 *days in such taxable year.*

7 *“(B) APPLICABLE BASE AMOUNT.—For pur-*
8 *poses of subparagraph (A), the term ‘applicable*
9 *base amount’ means, with respect to any taxable*
10 *year—*

11 *“(i) except as otherwise provided in*
12 *this subparagraph, the base amount for the*
13 *taxable year,*

14 *“(ii) in the case of a taxable year with*
15 *respect to which an election under sub-*
16 *section (c)(4) (relating to election of alter-*
17 *native incremental credit) is in effect, the*
18 *average described in subsection (c)(1)(B) for*
19 *the taxable year, and*

20 *“(iii) in the case of a taxable year with*
21 *respect to which an election under sub-*
22 *section (c)(5) (relating to election of alter-*
23 *native simplified credit) is in effect, the av-*
24 *erage qualified research expenses for the 3*
25 *taxable years preceding the taxable year.”.*

1 (c) *CONFORMING AMENDMENT.*—Subparagraph (D) of
2 section 45C(b)(1) is amended by striking “December 31,
3 2007” and inserting “December 31, 2008”.

4 (d) *EFFECTIVE DATE.*—The amendments made by this
5 section shall apply to amounts paid or incurred after De-
6 cember 31, 2007.

7 **SEC. 222. INDIAN EMPLOYMENT CREDIT.**

8 (a) *IN GENERAL.*—Subsection (f) of section 45A is
9 amended by striking “December 31, 2007” and inserting
10 “December 31, 2008”.

11 (b) *EFFECTIVE DATE.*—The amendment made by this
12 section shall apply to taxable years beginning after Decem-
13 ber 31, 2007.

14 **SEC. 223. NEW MARKETS TAX CREDIT.**

15 Subparagraph (D) of section 45D(f)(1) is amended by
16 striking “and 2008” and inserting “2008, and 2009”.

17 **SEC. 224. RAILROAD TRACK MAINTENANCE.**

18 (a) *IN GENERAL.*—Subsection (f) of section 45G is
19 amended by striking “January 1, 2008” and inserting
20 “January 1, 2009”.

21 (b) *EFFECTIVE DATE.*—The amendment made by this
22 section shall apply to expenditures paid or incurred during
23 taxable years beginning after December 31, 2007.

1 **SEC. 225. FIFTEEN-YEAR STRAIGHT-LINE COST RECOVERY**
2 **FOR QUALIFIED LEASEHOLD IMPROVEMENTS**
3 **AND QUALIFIED RESTAURANT PROPERTY.**

4 (a) *IN GENERAL.*—Clauses (iv) and (v) of section
5 168(e)(3)(E) are each amended by striking “January 1,
6 2008” and inserting “January 1, 2009”.

7 (b) *EFFECTIVE DATE.*—The amendments made by this
8 section shall apply to property placed in service after De-
9 cember 31, 2007.

10 **SEC. 226. SEVEN-YEAR COST RECOVERY PERIOD FOR MO-**
11 **TOSPORTS RACING TRACK FACILITY.**

12 (a) *IN GENERAL.*—Subparagraph (D) of section
13 168(i)(15) is amended by striking “December 31, 2007” and
14 inserting “December 31, 2008”.

15 (b) *EFFECTIVE DATE.*—The amendment made by this
16 section shall apply to property placed in service after De-
17 cember 31, 2007.

18 **SEC. 227. ACCELERATED DEPRECIATION FOR BUSINESS**
19 **PROPERTY ON INDIAN RESERVATION.**

20 (a) *IN GENERAL.*—Paragraph (8) of section 168(j) is
21 amended by striking “December 31, 2007” and inserting
22 “December 31, 2008”.

23 (b) *EFFECTIVE DATE.*—The amendment made by this
24 section shall apply to property placed in service after De-
25 cember 31, 2007.

1 **SEC. 228. EXPENSING OF ENVIRONMENTAL REMEDIATION**
2 **COSTS.**

3 (a) *IN GENERAL.*—Subsection (h) of section 198 is
4 amended by striking “December 31, 2007” and inserting
5 “December 31, 2008”.

6 (b) *EFFECTIVE DATE.*—The amendment made by this
7 section shall apply to expenditures paid or incurred after
8 December 31, 2007.

9 **SEC. 229. DEDUCTION ALLOWABLE WITH RESPECT TO IN-**
10 **COME ATTRIBUTABLE TO DOMESTIC PRODUC-**
11 **TION ACTIVITIES IN PUERTO RICO.**

12 (a) *IN GENERAL.*—Subparagraph (C) of section
13 199(d)(8) is amended—

14 (1) by striking “first 2 taxable years” and in-
15 serting “first 3 taxable years”, and

16 (2) by striking “January 1, 2008” and inserting
17 “January 1, 2009”.

18 (b) *EFFECTIVE DATE.*—The amendments made by this
19 section shall apply to taxable years beginning after Decem-
20 ber 31, 2007.

21 **SEC. 230. MODIFICATION OF TAX TREATMENT OF CERTAIN**
22 **PAYMENTS TO CONTROLLING EXEMPT ORGA-**
23 **NIZATIONS.**

24 (a) *IN GENERAL.*—Clause (iv) of section 512(b)(13)(E)
25 is amended by striking “December 31, 2007” and inserting
26 “December 31, 2008”.

1 (b) *EFFECTIVE DATE.*—*The amendment made by this*
2 *section shall apply to payments received or accrued after*
3 *December 31, 2007.*

4 **SEC. 231. QUALIFIED ZONE ACADEMY BONDS.**

5 (a) *IN GENERAL.*—*Subpart I of part IV of subchapter*
6 *A of chapter 1, as amended by sections 106 and 141, is*
7 *amended by adding at the end the following new section:*

8 **“SEC. 54D. QUALIFIED ZONE ACADEMY BONDS.**

9 “(a) *QUALIFIED ZONE ACADEMY BONDS.*—*For pur-*
10 *poses of this subchapter, the term ‘qualified zone academy*
11 *bond’ means any bond issued as part of an issue if—*

12 “(1) *100 percent of the available project proceeds*
13 *of such issue are to be used for a qualified purpose*
14 *with respect to a qualified zone academy established*
15 *by an eligible local education agency,*

16 “(2) *the bond is issued by a State or local gov-*
17 *ernment within the jurisdiction of which such acad-*
18 *emy is located, and*

19 “(3) *the issuer—*

20 “(A) *designates such bond for purposes of*
21 *this section,*

22 “(B) *certifies that it has written assurances*
23 *that the private business contribution require-*
24 *ment of subsection (b) will be met with respect*
25 *to such academy, and*

1 “(C) certifies that it has the written ap-
2 proval of the eligible local education agency for
3 such bond issuance.

4 “(b) *PRIVATE BUSINESS CONTRIBUTION REQUIRE-*
5 *MENT.*—For purposes of subsection (a), the private business
6 contribution requirement of this subsection is met with re-
7 spect to any issue if the eligible local education agency that
8 established the qualified zone academy has written commit-
9 ments from private entities to make qualified contributions
10 having a present value (as of the date of issuance of the
11 issue) of not less than 10 percent of the proceeds of the issue.

12 “(c) *LIMITATION ON AMOUNT OF BONDS DES-*
13 *IGNATED.*—

14 “(1) *NATIONAL LIMITATION.*—There is a na-
15 tional zone academy bond limitation for each cal-
16 endar year. Such limitation is \$400,000,000 for 2008,
17 and, except as provided in paragraph (4), zero there-
18 after.

19 “(2) *ALLOCATION OF LIMITATION.*—The national
20 zone academy bond limitation for a calendar year
21 shall be allocated by the Secretary among the States
22 on the basis of their respective populations of individ-
23 uals below the poverty line (as defined by the Office
24 of Management and Budget). The limitation amount
25 allocated to a State under the preceding sentence shall

1 *be allocated by the State education agency to quali-*
2 *fied zone academies within such State.*

3 “(3) *DESIGNATION SUBJECT TO LIMITATION*
4 *AMOUNT.—The maximum aggregate face amount of*
5 *bonds issued during any calendar year which may be*
6 *designated under subsection (a) with respect to any*
7 *qualified zone academy shall not exceed the limitation*
8 *amount allocated to such academy under paragraph*
9 *(2) for such calendar year.*

10 “(4) *CARRYOVER OF UNUSED LIMITATION.—*

11 “(A) *IN GENERAL.—If for any calendar*
12 *year—*

13 “(i) *the limitation amount for any*
14 *State, exceeds*

15 “(ii) *the amount of bonds issued dur-*
16 *ing such year which are designated under*
17 *subsection (a) with respect to qualified zone*
18 *academies within such State,*

19 *the limitation amount for such State for the fol-*
20 *lowing calendar year shall be increased by the*
21 *amount of such excess.*

22 “(B) *LIMITATION ON CARRYOVER.—Any*
23 *carryforward of a limitation amount may be*
24 *carried only to the first 2 years following the un-*
25 *used limitation year. For purposes of the pre-*

1 *ceding sentence, a limitation amount shall be*
2 *treated as used on a first-in first-out basis.*

3 “(C) *COORDINATION WITH SECTION 1397E.—*

4 *Any carryover determined under section*
5 *1397E(e)(4) (relating to carryover of unused*
6 *limitation) with respect to any State to calendar*
7 *year 2008 shall be treated for purposes of this*
8 *section as a carryover with respect to such State*
9 *for such calendar year under subparagraph (A),*
10 *and the limitation of subparagraph (B) shall*
11 *apply to such carryover taking into account the*
12 *calendar years to which such carryover relates.*

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

14 “(1) *QUALIFIED ZONE ACADEMY.—The term*
15 *‘qualified zone academy’ means any public school (or*
16 *academic program within a public school) which is*
17 *established by and operated under the supervision of*
18 *an eligible local education agency to provide edu-*
19 *cation or training below the postsecondary level if—*

20 “(A) *such public school or program (as the*
21 *case may be) is designed in cooperation with*
22 *business to enhance the academic curriculum, in-*
23 *crease graduation and employment rates, and*
24 *better prepare students for the rigors of college*
25 *and the increasingly complex workforce,*

1 “(B) students in such public school or pro-
2 gram (as the case may be) will be subject to the
3 same academic standards and assessments as
4 other students educated by the eligible local edu-
5 cation agency,

6 “(C) the comprehensive education plan of
7 such public school or program is approved by the
8 eligible local education agency, and

9 “(D)(i) such public school is located in an
10 empowerment zone or enterprise community (in-
11 cluding any such zone or community designated
12 after the date of the enactment of this section),
13 or

14 “(ii) there is a reasonable expectation (as of
15 the date of issuance of the bonds) that at least
16 35 percent of the students attending such school
17 or participating in such program (as the case
18 may be) will be eligible for free or reduced-cost
19 lunches under the school lunch program estab-
20 lished under the National School Lunch Act.

21 “(2) *ELIGIBLE LOCAL EDUCATION AGENCY.*—
22 For purposes of this section, the term ‘eligible local
23 education agency’ means any local educational agen-
24 cy as defined in section 9101 of the *Elementary and*
25 *Secondary Education Act of 1965.*

1 “(3) *QUALIFIED PURPOSE.*—*The term ‘qualified*
2 *purpose’ means, with respect to any qualified zone*
3 *academy—*

4 “(A) *rehabilitating or repairing the public*
5 *school facility in which the academy is estab-*
6 *lished,*

7 “(B) *providing equipment for use at such*
8 *academy,*

9 “(C) *developing course materials for edu-*
10 *cation to be provided at such academy, and*

11 “(D) *training teachers and other school per-*
12 *sonnel in such academy.*

13 “(4) *QUALIFIED CONTRIBUTIONS.*—*The term*
14 *‘qualified contribution’ means any contribution (of a*
15 *type and quality acceptable to the eligible local edu-*
16 *cation agency) of—*

17 “(A) *equipment for use in the qualified zone*
18 *academy (including state-of-the-art technology*
19 *and vocational equipment),*

20 “(B) *technical assistance in developing cur-*
21 *riculum or in training teachers in order to pro-*
22 *mote appropriate market driven technology in*
23 *the classroom,*

24 “(C) *services of employees as volunteer men-*
25 *tors,*

1 “(D) internships, field trips, or other edu-
2 cational opportunities outside the academy for
3 students, or

4 “(E) any other property or service specified
5 by the eligible local education agency.”.

6 (b) *CONFORMING AMENDMENTS.*—

7 (1) Paragraph (1) of section 54A(d), as amended
8 by sections 106 and 141, is amended by striking “or”
9 at the end of subparagraph (A), by inserting “or” at
10 the end of subparagraph (B), and by inserting after
11 subparagraph (B) the following new subparagraph:

12 “(C) a qualified zone academy bond.”.

13 (2) Subparagraph (C) of section 54A(d)(2), as
14 amended by sections 106 and 141, is amended by
15 striking “and” at the end of clause (i), by striking the
16 period at the end of clause (ii) and inserting “, and”,
17 and by adding at the end the following new clause:

18 “(iii) in the case of a qualified zone
19 academy bond, a purpose specified in sec-
20 tion 54D(a)(1).”.

21 (3) Section 1397E is amended by adding at the
22 end the following new subsection:

23 “(m) *TERMINATION.*—This section shall not apply to
24 any obligation issued after the date of the enactment of this
25 Act.”.

1 (4) *The table of sections for subpart I of part IV*
2 *of subchapter A of chapter 1 is amended by adding*
3 *at the end the following new item:*

 “*Sec. 54D. Qualified zone academy bonds.*”.

4 (c) *EFFECTIVE DATE.—The amendments made by this*
5 *section shall apply to obligations issued after the date of*
6 *the enactment of this Act.*

7 **SEC. 232. TAX INCENTIVES FOR INVESTMENT IN THE DIS-**
8 **TRICT OF COLUMBIA.**

9 (a) *DESIGNATION OF ZONE.—*

10 (1) *IN GENERAL.—Subsection (f) of section 1400*
11 *is amended by striking “2007” both places it appears*
12 *and inserting “2008”.*

13 (2) *EFFECTIVE DATE.—The amendments made*
14 *by this subsection shall apply to periods beginning*
15 *after December 31, 2007.*

16 (b) *TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.—*

17 (1) *IN GENERAL.—Subsection (b) of section*
18 *1400A is amended by striking “2007” and inserting*
19 *“2008”.*

20 (2) *EFFECTIVE DATE.—The amendment made by*
21 *this subsection shall apply to bonds issued after De-*
22 *cember 31, 2007.*

23 (c) *ZERO PERCENT CAPITAL GAINS RATE.—*

1 (1) *IN GENERAL.*—Subsection (b) of section
2 1400B is amended by striking “2008” each place it
3 appears and inserting “2009”.

4 (2) *CONFORMING AMENDMENTS.*—

5 (A) Section 1400B(e)(2) is amended—

6 (i) by striking “2012” and inserting
7 “2013”, and

8 (ii) by striking “2012” in the heading
9 thereof and inserting “2013”.

10 (B) Section 1400B(g)(2) is amended by
11 striking “2012” and inserting “2013”.

12 (C) Section 1400F(d) is amended by strik-
13 ing “2012” and inserting “2013”.

14 (3) *EFFECTIVE DATES.*—

15 (A) *EXTENSION.*—The amendments made
16 by paragraph (1) shall apply to acquisitions
17 after December 31, 2007.

18 (B) *CONFORMING AMENDMENTS.*—The
19 amendments made by paragraph (2) shall take
20 effect on the date of the enactment of this Act.

21 (d) *FIRST-TIME HOMEBUYER CREDIT.*—

22 (1) *IN GENERAL.*—Subsection (i) of section
23 1400C is amended by striking “2008” and inserting
24 “2009”.

1 (2) *EFFECTIVE DATE.*—*The amendment made by*
2 *this subsection shall apply to property purchased*
3 *after December 31, 2007.*

4 **SEC. 233. ECONOMIC DEVELOPMENT CREDIT FOR AMER-**
5 **ICAN SAMOA.**

6 (a) *IN GENERAL.*—*Subsection (d) of section 119 of di-*
7 *vision A of the Tax Relief and Health Care Act of 2006*
8 *is amended—*

9 (1) *by striking “first two taxable years” and in-*
10 *serting “first 3 taxable years”, and*

11 (2) *by striking “January 1, 2008” and inserting*
12 *“January 1, 2009”.*

13 (b) *EFFECTIVE DATE.*—*The amendment made by this*
14 *section shall apply to taxable years beginning after Decem-*
15 *ber 31, 2007.*

16 **SEC. 234. ENHANCED CHARITABLE DEDUCTION FOR CON-**
17 **TRIBUTIONS OF FOOD INVENTORY.**

18 (a) *IN GENERAL.*—*Clause (iv) of section 170(e)(3)(C)*
19 *is amended by striking “December 31, 2007” and inserting*
20 *“December 31, 2008”.*

21 (b) *EFFECTIVE DATE.*—*The amendment made by this*
22 *section shall apply to contributions made after December*
23 *31, 2007.*

1 **SEC. 235. ENHANCED CHARITABLE DEDUCTION FOR CON-**
2 **TRIBUTIONS OF BOOK INVENTORY TO PUBLIC**
3 **SCHOOLS.**

4 (a) *IN GENERAL.*—Clause (iv) of section 170(e)(3)(D)
5 is amended by striking “December 31, 2007” and inserting
6 “December 31, 2008”.

7 (b) *EFFECTIVE DATE.*—The amendment made by this
8 section shall apply to contributions made after December
9 31, 2007.

10 **SEC. 236. ENHANCED DEDUCTION FOR QUALIFIED COM-**
11 **PUTER CONTRIBUTIONS.**

12 (a) *IN GENERAL.*—Subparagraph (G) of section
13 170(e)(6) is amended by striking “December 31, 2007” and
14 inserting “December 31, 2008”.

15 (b) *EFFECTIVE DATE.*—The amendment made by this
16 section shall apply to contributions made during taxable
17 years beginning after December 31, 2007.

18 **SEC. 237. BASIS ADJUSTMENT TO STOCK OF S CORPORA-**
19 **TIONS MAKING CHARITABLE CONTRIBUTIONS**
20 **OF PROPERTY.**

21 (a) *IN GENERAL.*—The last sentence of section
22 1367(a)(2) is amended by striking “December 31, 2007”
23 and inserting “December 31, 2008”.

24 (b) *EFFECTIVE DATE.*—The amendment made by this
25 section shall apply to contributions made in taxable years
26 beginning after December 31, 2007.

1 **SEC. 238. WORK OPPORTUNITY TAX CREDIT FOR HURRI-**
2 **CANE KATRINA EMPLOYEES.**

3 (a) *IN GENERAL.*—Paragraph (1) of section 201(b) of
4 the Katrina Emergency Tax Relief Act of 2005 is amended
5 by striking “2-year” and inserting “3-year”.

6 (b) *EFFECTIVE DATE.*—The amendment made by sub-
7 section (a) shall apply to individuals hired after August
8 27, 2007.

9 **SEC. 239. SUBPART F EXCEPTION FOR ACTIVE FINANCING**
10 **INCOME.**

11 (a) *EXEMPT INSURANCE INCOME.*—Paragraph (10) of
12 section 953(e) (relating to application) is amended—

13 (1) by striking “January 1, 2009” and inserting
14 “January 1, 2010”, and

15 (2) by striking “December 31, 2008” and insert-
16 ing “December 31, 2009”.

17 (b) *EXCEPTION TO TREATMENT AS FOREIGN PER-*
18 *SONAL HOLDING COMPANY INCOME.*—Paragraph (9) of sec-
19 tion 954(h) (relating to application) is amended by striking
20 “January 1, 2009” and inserting “January 1, 2010”.

21 **SEC. 240. LOOK-THRU RULE FOR RELATED CONTROLLED**
22 **FOREIGN CORPORATIONS.**

23 (a) *IN GENERAL.*—Subparagraph (C) of section
24 954(c)(6) (relating to application) is amended by striking
25 “January 1, 2009” and inserting “January 1, 2010”.

1 (b) *EFFECTIVE DATE.*—*The amendment made by this*
2 *section shall apply to taxable years of foreign corporations*
3 *beginning after December 31, 2008, and to taxable years*
4 *of United States shareholders with or within which such*
5 *taxable years of foreign corporations end.*

6 **SEC. 241. EXPENSING FOR CERTAIN QUALIFIED FILM AND**
7 **TELEVISION PRODUCTIONS.**

8 (a) *IN GENERAL.*—*Subsection (f) of section 181 is*
9 *amended by striking “December 31, 2008” and inserting*
10 *“December 31, 2009”.*

11 (b) *EFFECTIVE DATE.*—*The amendment made by this*
12 *section shall apply to productions commencing after Decem-*
13 *ber 31, 2008.*

14 **Subtitle C—Other Extensions**

15 **SEC. 251. AUTHORITY TO DISCLOSE INFORMATION RE-**
16 **LATED TO TERRORIST ACTIVITIES MADE PER-**
17 **MANENT.**

18 (a) *IN GENERAL.*—*Subparagraph (C) of section*
19 *6103(i)(3) is amended by striking clause (iv).*

20 (b) *DISCLOSURE ON REQUEST.*—*Paragraph (7) of sec-*
21 *tion 6103(i) is amended by striking subparagraph (E).*

22 (c) *EFFECTIVE DATE.*—*The amendments made by this*
23 *section shall apply to disclosures after the date of the enact-*
24 *ment of this Act.*

1 **SEC. 252. AUTHORITY FOR UNDERCOVER OPERATIONS**
2 **MADE PERMANENT.**

3 (a) *IN GENERAL.*—Subsection (c) of section 7608 is
4 amended by striking paragraph (6).

5 (b) *EFFECTIVE DATE.*—The amendment made by this
6 section shall take effect on January 1, 2008.

7 **SEC. 253. AUTHORITY TO DISCLOSE RETURN INFORMATION**
8 **FOR CERTAIN VETERANS PROGRAMS MADE**
9 **PERMANENT.**

10 (a) *IN GENERAL.*—Paragraph (7) of section 6103(l) is
11 amended by striking the last sentence thereof.

12 (b) *CONFORMING AMENDMENT.*—Section
13 6103(l)(7)(D)(viii)(III) is amended by striking “sections
14 1710(a)(1)(I), 1710(a)(2), 1710(b), and 1712(a)(2)(B)” and
15 inserting “sections 1710(a)(2)(G), 1710(a)(3), and
16 1710(b)”.

17 (c) *EFFECTIVE DATE.*—The amendment made by sub-
18 section (a) shall apply to requests made after September
19 30, 2008.

20 **SEC. 254. INCREASE IN LIMIT ON COVER OVER OF RUM EX-**
21 **CISE TAX TO PUERTO RICO AND THE VIRGIN**
22 **ISLANDS.**

23 (a) *IN GENERAL.*—Paragraph (1) of section 7652(f) is
24 amended by striking “January 1, 2008” and inserting
25 “January 1, 2009”.

1 (b) *EFFECTIVE DATE.*—*The amendment made by this*
2 *section shall apply to distilled spirits brought into the*
3 *United States after December 31, 2007.*

4 **SEC. 255. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
5 **TO MENTAL HEALTH BENEFITS.**

6 Subsection (f) of section 9812 is amended—

7 (1) by striking “and” at the end of paragraph

8 (2), and

9 (2) by striking paragraph (3) and inserting the
10 *following new paragraphs:*

11 “(3) on or after January 1, 2008, and before the
12 *date of the enactment of the Renewable Energy and*
13 *Job Creation Act of 2008, and*

14 “(4) after December 31, 2008.”.

15 **TITLE III—ADDITIONAL TAX**

16 **RELIEF**

17 **Subtitle A—Individual Tax Relief**

18 **SEC. 301. ADDITIONAL STANDARD DEDUCTION FOR REAL**

19 **PROPERTY TAXES FOR NONITEMIZERS.**

20 (a) *IN GENERAL.*—*Section 63(c)(1) (defining standard*
21 *deduction) is amended by striking “and” at the end of sub-*
22 *paragraph (A), by striking the period at the end of subpara-*
23 *graph (B) and inserting “, and”, and by adding at the end*
24 *the following new subparagraph:*

1 “(C) *in the case of any taxable year begin-*
2 *ning in 2008, the real property tax deduction.*”.

3 (b) *DEFINITION.*—Section 63(c) is amended by adding
4 *at the end the following new paragraph:*

5 “(7) *REAL PROPERTY TAX DEDUCTION.*—For
6 purposes of paragraph (1), the real property tax de-
7 duction is the lesser of—

8 “(A) *the amount allowable as a deduction*
9 *under this chapter for State and local taxes de-*
10 *scribed in section 164(a)(1), or*

11 “(B) *\$350 (\$700 in the case of a joint re-*
12 *turn).*

13 *Any taxes taken into account under section 62(a)*
14 *shall not be taken into account under this para-*
15 *graph.*”.

16 (c) *EFFECTIVE DATE.*—The amendments made by this
17 *section shall apply to taxable years beginning after Decem-*
18 *ber 31, 2007.*

19 **SEC. 302. REFUNDABLE CHILD CREDIT.**

20 (a) *MODIFICATION OF THRESHOLD AMOUNT.*—Clause
21 *(i) of section 24(d)(1)(B) is amended by inserting “(\$8,500*
22 *in the case of taxable years beginning in 2008)” after*
23 *“\$10,000”.*

1 (b) *EFFECTIVE DATE.*—*The amendment made by sub-*
2 *section (a) shall apply to taxable years beginning after De-*
3 *cember 31, 2007.*

4 **SEC. 303. INCREASE OF AMT REFUNDABLE CREDIT AMOUNT**
5 **FOR INDIVIDUALS WITH LONG-TERM UNUSED**
6 **CREDITS FOR PRIOR YEAR MINIMUM TAX LI-**
7 **ABILITY, ETC.**

8 (a) *IN GENERAL.*—*Paragraph (2) of section 53(e) is*
9 *amended to read as follows:*

10 “(2) *AMT REFUNDABLE CREDIT AMOUNT.*—*For*
11 *purposes of paragraph (1), the term ‘AMT refundable*
12 *credit amount’ means, with respect to any taxable*
13 *year, the amount (not in excess of the long-term un-*
14 *used minimum tax credit for such taxable year) equal*
15 *to the greater of—*

16 “(A) *50 percent of the long-term unused*
17 *minimum tax credit for such taxable year, or*

18 “(B) *the amount (if any) of the AMT re-*
19 *fundable credit amount for the taxpayer’s pre-*
20 *ceding taxable year (determined without regard*
21 *to subsection (f)(2)).”.*

22 (b) *TREATMENT OF CERTAIN UNDERPAYMENTS, IN-*
23 *TEREST, AND PENALTIES ATTRIBUTABLE TO THE TREAT-*
24 *MENT OF INCENTIVE STOCK OPTIONS.*—*Section 53 is*
25 *amended by adding at the end the following new subsection:*

1 “(f) *TREATMENT OF CERTAIN UNDERPAYMENTS, IN-*
2 *TEREST, AND PENALTIES ATTRIBUTABLE TO THE TREAT-*
3 *MENT OF INCENTIVE STOCK OPTIONS.—*

4 “(1) *ABATEMENT.—Any underpayment of tax*
5 *outstanding on the date of the enactment of this sub-*
6 *section which is attributable to the application of sec-*
7 *tion 56(b)(3) for any taxable year ending before Jan-*
8 *uary 1, 2008 (and any interest or penalty with re-*
9 *spect to such underpayment which is outstanding on*
10 *such date of enactment), is hereby abated. The*
11 *amount determined under subsection (b)(1) shall not*
12 *include any tax abated under the preceding sentence.*

13 “(2) *INCREASE IN CREDIT FOR CERTAIN INTER-*
14 *EST AND PENALTIES ALREADY PAID.—The AMT re-*
15 *fundable credit amount, and the minimum tax credit*
16 *determined under subsection (b), for the taxpayer’s*
17 *first 2 taxable years beginning after December 31,*
18 *2007, shall each be increased by 50 percent of the ag-*
19 *gregate amount of the interest and penalties which*
20 *were paid by the taxpayer before the date of the enact-*
21 *ment of this subsection and which would (but for such*
22 *payment) have been abated under paragraph (1).”.*

23 “(c) *EFFECTIVE DATE.—*

24 “(1) *IN GENERAL.—Except as provided in para-*
25 *graph (2), the amendment made by this section shall*

1 *apply to taxable years beginning after December 31,*
2 *2007.*

3 (2) *ABATEMENT.*—*Section 53(f)(1) of the Inter-*
4 *nal Revenue Code of 1986, as added by subsection (b),*
5 *shall take effect on the date of the enactment of this*
6 *Act.*

7 ***Subtitle B—Business Related***
8 ***Provisions***

9 ***SEC. 311. UNIFORM TREATMENT OF ATTORNEY-ADVANCED***
10 ***EXPENSES AND COURT COSTS IN CONTIN-***
11 ***GENCY FEE CASES.***

12 (a) *IN GENERAL.*—*Section 162 is amended by redesign-*
13 *ating subsection (q) as subsection (r) and by inserting*
14 *after subsection (p) the following new subsection:*

15 “(q) *ATTORNEY-ADVANCED EXPENSES AND COURT*
16 *COSTS IN CONTINGENCY FEE CASES.*—*In the case of any*
17 *expense or court cost which is paid or incurred in the course*
18 *of the trade or business of practicing law and the repayment*
19 *of which is contingent on a recovery by judgment or settle-*
20 *ment in the action to which such expense or cost relates,*
21 *the deduction under subsection (a) shall be determined as*
22 *if such expense or cost was not subject to repayment.”.*

23 (b) *EFFECTIVE DATE.*—*The amendment made by this*
24 *section shall apply to expenses and costs paid or incurred*

1 *in taxable years beginning after the date of the enactment*
2 *of this Act.*

3 **SEC. 312. PROVISIONS RELATED TO FILM AND TELEVISION**

4 **PRODUCTIONS.**

5 *(a) MODIFICATION OF LIMITATION ON EXPENSING.—*

6 *Subparagraph (A) of section 181(a)(2) is amended to read*
7 *as follows:*

8 *“(A) IN GENERAL.—Paragraph (1) shall*
9 *not apply to so much of the aggregate cost of any*
10 *qualified film or television production as exceeds*
11 *\$15,000,000.”.*

12 *(b) MODIFICATIONS TO DEDUCTION FOR DOMESTIC*
13 *ACTIVITIES.—*

14 *(1) DETERMINATION OF W-2 WAGES.—Paragraph*
15 *(2) of section 199(b) is amended by adding at the end*
16 *the following new subparagraph:*

17 *“(D) SPECIAL RULE FOR QUALIFIED*
18 *FILM.—In the case of a qualified film, such term*
19 *shall include compensation for services performed*
20 *in the United States by actors, production per-*
21 *sonnel, directors, and producers.”.*

22 *(2) DEFINITION OF QUALIFIED FILM.—Para-*
23 *graph (6) of section 199(c) is amended by adding at*
24 *the end the following: “A qualified film shall include*
25 *any copyrights, trademarks, or other intangibles with*

1 *respect to such film. The methods and means of dis-*
2 *tributing a qualified film shall not affect the avail-*
3 *ability of the deduction under this section.”.*

4 (3) *PARTNERSHIPS.*—*Subparagraph (A) of sec-*
5 *tion 199(d)(1) is amended by striking “and” at the*
6 *end of clause (ii), by striking the period at the end*
7 *of clause (iii) and inserting “, and”, and by adding*
8 *at the end the following new clause:*

9 *“(iv) in the case of each partner of a*
10 *partnership, or shareholder of an S corpora-*
11 *tion, who owns (directly or indirectly) at*
12 *least 20 percent of the capital interests in*
13 *such partnership or of the stock of such S*
14 *corporation—*

15 *“(I) such partner or shareholder*
16 *shall be treated as having engaged di-*
17 *rectly in any film produced by such*
18 *partnership or S corporation, and*

19 *“(II) such partnership or S cor-*
20 *poration shall be treated as having en-*
21 *gaged directly in any film produced by*
22 *such partner or shareholder.”.*

23 (c) *EFFECTIVE DATE.*—

24 (1) *IN GENERAL.*—*Except as otherwise provided*
25 *in this subsection, the amendments made by this sec-*

1 *such tax return preparer shall pay a penalty with re-*
2 *spect to each such return or claim in an amount*
3 *equal to the greater of \$1,000 or 50 percent of the in-*
4 *come derived (or to be derived) by the tax return pre-*
5 *parer with respect to the return or claim.*

6 *“(2) UNREASONABLE POSITION.—*

7 *“(A) IN GENERAL.—Except as otherwise*
8 *provided in this paragraph, a position is de-*
9 *scribed in this paragraph unless there is or was*
10 *substantial authority for the position.*

11 *“(B) DISCLOSED POSITIONS.—If the posi-*
12 *tion was disclosed as provided in section*
13 *6662(d)(2)(B)(ii)(I) and is not a position to*
14 *which subparagraph (C) applies, the position is*
15 *described in this paragraph unless there is a rea-*
16 *sonable basis for the position.*

17 *“(C) TAX SHELTERS AND REPORTABLE*
18 *TRANSACTIONS.—If the position is with respect*
19 *to a tax shelter (as defined in section*
20 *6662(d)(2)(C)(ii)) or a reportable transaction to*
21 *which section 6662A applies, the position is de-*
22 *scribed in this paragraph unless it is reasonable*
23 *to believe that the position would more likely*
24 *than not be sustained on its merits.*

1 “(3) *REASONABLE CAUSE EXCEPTION.*—No pen-
2 alty shall be imposed under this subsection if it is
3 shown that there is reasonable cause for the under-
4 statement and the tax return preparer acted in good
5 faith.”.

6 (b) *EFFECTIVE DATE.*—The amendment made by this
7 section shall apply—

8 (1) in the case of a position other than a posi-
9 tion described in subparagraph (C) of section
10 6694(a)(2) of the Internal Revenue Code of 1986 (as
11 amended by this section), to returns prepared after
12 May 25, 2007, and

13 (2) in the case of a position described in such
14 subparagraph (C), to returns prepared for taxable
15 years ending after the date of the enactment of this
16 Act.

17 ***Subtitle D—Extension and Expan-***
18 ***sion of Certain GO Zone Incen-***
19 ***tives***

20 ***SEC. 331. CERTAIN GO ZONE INCENTIVES.***

21 (a) *USE OF AMENDED INCOME TAX RETURNS TO*
22 *TAKE INTO ACCOUNT RECEIPT OF CERTAIN HURRICANE-*
23 *RELATED CASUALTY LOSS GRANTS BY DISALLOWING PRE-*
24 *VIOUSLY TAKEN CASUALTY LOSS DEDUCTIONS.*—

1 (1) *IN GENERAL.*—Notwithstanding any other
2 provision of the Internal Revenue Code of 1986, if a
3 taxpayer claims a deduction for any taxable year
4 with respect to a casualty loss to a principal resi-
5 dence (within the meaning of section 121 of such
6 Code) resulting from Hurricane Katrina, Hurricane
7 Rita, or Hurricane Wilma and in a subsequent tax-
8 able year receives a grant under Public Law 109–148,
9 109–234, or 110–116 as reimbursement for such loss,
10 such taxpayer may elect to file an amended income
11 tax return for the taxable year in which such deduc-
12 tion was allowed (and for any taxable year to which
13 such deduction is carried) and reduce (but not below
14 zero) the amount of such deduction by the amount of
15 such reimbursement.

16 (2) *TIME OF FILING AMENDED RETURN.*—Para-
17 graph (1) shall apply with respect to any grant only
18 if any amended income tax returns with respect to
19 such grant are filed not later than the later of—

20 (A) the due date for filing the tax return for
21 the taxable year in which the taxpayer receives
22 such grant, or

23 (B) the date which is 1 year after the date
24 of the enactment of this Act.

1 (3) *WAIVER OF PENALTIES AND INTEREST.*—*Any*
2 *underpayment of tax resulting from the reduction*
3 *under paragraph (1) of the amount otherwise allow-*
4 *able as a deduction shall not be subject to any penalty*
5 *or interest under such Code if such tax is paid not*
6 *later than 1 year after the filing of the amended re-*
7 *turn to which such reduction relates.*

8 (b) *WAIVER OF DEADLINE ON CONSTRUCTION OF GO*
9 *ZONE PROPERTY ELIGIBLE FOR BONUS DEPRECIATION.*—

10 (1) *IN GENERAL.*—*Subparagraph (B) of section*
11 *1400N(d)(3) is amended to read as follows:*

12 “(B) *without regard to ‘and before January*
13 *1, 2009’ in clause (i) thereof, and”.*

14 (2) *EFFECTIVE DATE.*—*The amendment made by*
15 *this subsection shall apply to property placed in serv-*
16 *ice after December 31, 2007.*

17 (c) *INCLUSION OF CERTAIN COUNTIES IN GULF OP-*
18 *PORTUNITY ZONE FOR PURPOSES OF TAX-EXEMPT BOND*
19 *FINANCING.*—

20 (1) *IN GENERAL.*—*Subsection (a) of section*
21 *1400N is amended by adding at the end the following*
22 *new paragraph:*

23 “(8) *INCLUSION OF CERTAIN COUNTIES.*—*For*
24 *purposes of this subsection, the Gulf Opportunity*

1 *Zone includes Colbert County, Alabama and Dallas*
2 *County, Alabama.”.*

3 (2) *EFFECTIVE DATE.*—*The amendment made by*
4 *this subsection shall take effect as if included in the*
5 *provisions of the Gulf Opportunity Zone Act of 2005*
6 *to which it relates.*

7 **TITLE IV—REVENUE**
8 **PROVISIONS**

9 **SEC. 401. NONQUALIFIED DEFERRED COMPENSATION FROM**
10 **CERTAIN TAX INDIFFERENT PARTIES.**

11 (a) *IN GENERAL.*—*Subpart B of part II of subchapter*
12 *E of chapter 1 is amended by inserting after section 457*
13 *the following new section:*

14 **“SEC. 457A. NONQUALIFIED DEFERRED COMPENSATION**
15 **FROM CERTAIN TAX INDIFFERENT PARTIES.**

16 “(a) *IN GENERAL.*—*Any compensation which is de-*
17 *ferred under a nonqualified deferred compensation plan of*
18 *a nonqualified entity shall be includible in gross income*
19 *when there is no substantial risk of forfeiture of the rights*
20 *to such compensation.*

21 “(b) *NONQUALIFIED ENTITY.*—*For purposes of this*
22 *section, the term ‘nonqualified entity’ means—*

23 “(1) *any foreign corporation unless substantially*
24 *all of its income is—*

1 “(A) *effectively connected with the conduct*
2 *of a trade or business in the United States, or*

3 “(B) *subject to a comprehensive foreign in-*
4 *come tax, and*

5 “(2) *any partnership unless substantially all of*
6 *its income is allocated to persons other than—*

7 “(A) *foreign persons with respect to whom*
8 *such income is not subject to a comprehensive*
9 *foreign income tax, and*

10 “(B) *organizations which are exempt from*
11 *tax under this title.*

12 “(c) *DETERMINABILITY OF AMOUNTS OF COMPENSA-*
13 *TION.—*

14 “(1) *IN GENERAL.—If the amount of any com-*
15 *penetration is not determinable at the time that such*
16 *compensation is otherwise includible in gross income*
17 *under subsection (a)—*

18 “(A) *such amount shall be so includible in*
19 *gross income when determinable, and*

20 “(B) *the tax imposed under this chapter for*
21 *the taxable year in which such compensation is*
22 *includible in gross income shall be increased by*
23 *the sum of—*

24 “(i) *the amount of interest determined*
25 *under paragraph (2), and*

1 “(ii) an amount equal to 20 percent of
2 the amount of such compensation.

3 “(2) *INTEREST.*—For purposes of paragraph
4 (1)(B)(i), the interest determined under this para-
5 graph for any taxable year is the amount of interest
6 at the underpayment rate under section 6621 plus 1
7 percentage point on the underpayments that would
8 have occurred had the deferred compensation been in-
9 cludible in gross income for the taxable year in which
10 first deferred or, if later, the first taxable year in
11 which such deferred compensation is not subject to a
12 substantial risk of forfeiture.

13 “(d) *OTHER DEFINITIONS AND SPECIAL RULES.*—For
14 purposes of this section—

15 “(1) *SUBSTANTIAL RISK OF FORFEITURE.*—

16 “(A) *IN GENERAL.*—The rights of a person
17 to compensation shall be treated as subject to a
18 substantial risk of forfeiture only if such person’s
19 rights to such compensation are conditioned
20 upon the future performance of substantial serv-
21 ices by any individual.

22 “(B) *EXCEPTION FOR COMPENSATION*
23 *BASED ON GAIN RECOGNIZED ON AN INVESTMENT*
24 *ASSET.*—

1 “(i) *IN GENERAL.*—*To the extent pro-*
2 *vided in regulations prescribed by the Sec-*
3 *retary, if compensation is determined solely*
4 *by reference to the amount of gain recog-*
5 *nized on the disposition of an investment*
6 *asset, such compensation shall be treated as*
7 *subject to a substantial risk of forfeiture*
8 *until the date of such disposition.*

9 “(ii) *INVESTMENT ASSET.*—*For pur-*
10 *poses of clause (i), the term ‘investment*
11 *asset’ means any single asset (other than an*
12 *investment fund or similar entity)—*

13 “(I) *acquired directly by an in-*
14 *vestment fund or similar entity,*

15 “(II) *with respect to which such*
16 *entity does not (nor does any person*
17 *related to such entity) participate in*
18 *the active management of such asset*
19 *(or if such asset is an interest in an*
20 *entity, in the active management of the*
21 *activities of such entity), and*

22 “(III) *substantially all of any*
23 *gain on the disposition of which (other*
24 *than such deferred compensation) is al-*
25 *located to investors in such entity.*

1 “(iii) *COORDINATION WITH SPECIAL*
2 *RULE.—Paragraph (3)(B) shall not apply*
3 *to any compensation to which clause (i) ap-*
4 *plies.*

5 “(2) *COMPREHENSIVE FOREIGN INCOME TAX.—*
6 *The term ‘comprehensive foreign income tax’ means,*
7 *with respect to any foreign person, the income tax of*
8 *a foreign country if—*

9 “(A) *such person is eligible for the benefits*
10 *of a comprehensive income tax treaty between*
11 *such foreign country and the United States, or*

12 “(B) *such person demonstrates to the satis-*
13 *faction of the Secretary that such foreign country*
14 *has a comprehensive income tax.*

15 “(3) *NONQUALIFIED DEFERRED COMPENSATION*
16 *PLAN.—*

17 “(A) *IN GENERAL.—The term ‘nonqualified*
18 *deferred compensation plan’ has the meaning*
19 *given such term under section 409A(d), except*
20 *that such term shall include any plan that pro-*
21 *vides a right to compensation based on the ap-*
22 *preciation in value of a specified number of eq-*
23 *uity units of the service recipient.*

24 “(B) *EXCEPTION.—Compensation shall not*
25 *be treated as deferred for purposes of this section*

1 *if the service provider receives payment of such*
2 *compensation not later than 12 months after the*
3 *end of the taxable year of the service recipient*
4 *during which the right to the payment of such*
5 *compensation is no longer subject to a substan-*
6 *tial risk of forfeiture.*

7 “(4) *EXCEPTION FOR CERTAIN COMPENSATION*
8 *WITH RESPECT TO EFFECTIVELY CONNECTED IN-*
9 *COME.—In the case a foreign corporation with income*
10 *which is taxable under section 882, this section shall*
11 *not apply to compensation which, had such com-*
12 *penetration had been paid in cash on the date that such*
13 *compensation ceased to be subject to a substantial risk*
14 *of forfeiture, would have been deductible by such for-*
15 *foreign corporation against such income.*

16 “(5) *APPLICATION OF RULES.—Rules similar to*
17 *the rules of paragraphs (5) and (6) of section 409A(d)*
18 *shall apply.*

19 “(e) *REGULATIONS.—The Secretary shall prescribe*
20 *such regulations as may be necessary or appropriate to*
21 *carry out the purposes of this section, including regulations*
22 *disregarding a substantial risk of forfeiture in cases where*
23 *necessary to carry out the purposes of this section.”.*

24 “(b) *CONFORMING AMENDMENT.—Section 26(b)(2) is*
25 *amended by striking “and” at the end of subparagraph (U),*

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

4 “(W) section 457A(c)(1)(B) (relating to de-
5 terminability of amounts of compensation).”.

6 (c) *CLERICAL AMENDMENT.—The table of sections of*
7 *subpart B of part II of subchapter E of chapter 1 is amend-*
8 *ed by inserting after the item relating to section 457 the*
9 *following new item:*

 “Sec. 457A. *Nonqualified deferred compensation from certain tax indifferent parties.*”.

10 (d) *EFFECTIVE DATE.—*

11 (1) *IN GENERAL.—Except as otherwise provided*
12 *in this subsection, the amendments made by this sec-*
13 *tion shall apply to amounts deferred which are attrib-*
14 *utable to services performed after December 31, 2008.*

15 (2) *APPLICATION TO EXISTING DEFERRALS.—In*
16 *the case of any amount deferred to which the amend-*
17 *ments made by this section do not apply solely by*
18 *reason of the fact that the amount is attributable to*
19 *services performed before January 1, 2009, to the ex-*
20 *tent such amount is not includible in gross income in*
21 *a taxable year beginning before 2018, such amounts*
22 *shall be includible in gross income in the later of—*

23 (A) *the last taxable year beginning before*
24 *2018, or*

1 (B) *the taxable year in which there is no*
2 *substantial risk of forfeiture of the rights to such*
3 *compensation (determined in the same manner*
4 *as determined for purposes of section 457A of the*
5 *Internal Revenue Code of 1986, as added by this*
6 *section).*

7 (3) *CHARITABLE CONTRIBUTIONS OF EXISTING*
8 *DEFERRALS PERMITTED.—*

9 (A) *IN GENERAL.—*Subsection (b) of section
10 *170 of the Internal Revenue Code of 1986 shall*
11 *not apply to (and subsections (b) and (d) of such*
12 *section shall be applied without regard to) so*
13 *much of the taxpayer’s qualified contributions*
14 *made during the taxpayer’s last taxable year be-*
15 *ginning before 2018 as does not exceed the tax-*
16 *payer’s qualified inclusion amount. For purposes*
17 *of subsection (b) of section 170 of such Code, the*
18 *taxpayer’s contribution base for such last taxable*
19 *year shall be reduced by the amount of the tax-*
20 *payer’s qualified contributions to which such*
21 *subsection does not apply by reason the pre-*
22 *ceding sentence.*

23 (B) *QUALIFIED CONTRIBUTIONS.—*For pur-
24 *poses of this paragraph, the term “qualified con-*
25 *tributions” means the aggregate charitable con-*

1 *tributions (as defined in section 170(c) of such*
2 *Code) paid in cash by the taxpayer to organiza-*
3 *tions described in section 170(b)(1)(A) of such*
4 *Code (other than any organization described in*
5 *section 509(a)(3) of such Code or any fund or*
6 *account described in section 4966(d)(2) of such*
7 *Code).*

8 (C) *QUALIFIED INCLUSION AMOUNT.*—*For*
9 *purposes of this paragraph, the term “qualified*
10 *inclusion amount” means the amount includible*
11 *in the taxpayer’s gross income for the last tax-*
12 *able year beginning before 2018 by reason of*
13 *paragraph (2).*

14 (4) *ACCELERATED PAYMENTS.*—*No later than*
15 *120 days after the date of the enactment of this Act,*
16 *the Secretary shall issue guidance providing a limited*
17 *period of time during which a nonqualified deferred*
18 *compensation arrangement attributable to services*
19 *performed on or before December 31, 2008, may, with-*
20 *out violating the requirements of section 409A(a) of*
21 *the Internal Revenue Code of 1986, be amended to*
22 *conform the date of distribution to the date the*
23 *amounts are required to be included in income.*

24 (5) *CERTAIN BACK-TO-BACK ARRANGEMENTS.*—*If*
25 *the taxpayer is also a service recipient and maintains*

1 **SEC. 403. TIME FOR PAYMENT OF CORPORATE ESTIMATED**
2 **TAXES.**

3 (a) *REPEAL OF ADJUSTMENT FOR 2012.*—Subpara-
4 *graph (B) of section 401(1) of the Tax Increase Prevention*
5 *and Reconciliation Act of 2005 is amended by striking the*
6 *percentage contained therein and inserting “100 percent”.*

7 (b) *MODIFICATION OF ADJUSTMENT FOR 2013.*—*The*
8 *percentage under subparagraph (C) of section 401(1) of the*
9 *Tax Increase Prevention and Reconciliation Act of 2005 in*
10 *effect on the date of the enactment of this Act is increased*
11 *by 37.75 percentage points.*