

105TH CONGRESS
2D SESSION

H. R. 4538

To amend the Internal Revenue Code of 1986 to provide incentives to reduce energy consumption.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 10, 1998

Mr. MATSUI (for himself, Mrs. KENNELLY of Connecticut, Ms. MCCARTHY of Missouri, Mrs. THURMAN, Mr. PALLONE, Mr. VENTO, Mr. NEAL of Massachusetts, Ms. DELAURO, Mr. BERMAN, Mrs. LOWEY, Ms. FURSE, Mr. LEWIS of Georgia, Mr. WAXMAN, Mr. HINCHEY, Mr. GUTIERREZ, Mr. BECERRA, and Mr. FARR of California) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide incentives to reduce energy consumption.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Energy Efficient Tech-
5 nology Tax Act”.

1 **SEC. 2. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROP-**
2 **ERTY USED IN BUSINESS.**

3 (a) IN GENERAL.—Subpart E of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 is amended by inserting after section 48 the follow-
6 ing new section:

7 **“SEC. 48A. ENERGY CREDIT.**

8 “(a) IN GENERAL.—For purposes of section 46, the
9 energy credit for any taxable year is the sum of—

10 “(1) the amount equal to the energy percentage
11 of the basis of each energy property placed in service
12 during such taxable year, and

13 “(2) the credit amount for each highly efficient
14 passenger vehicle placed in service during the tax-
15 able year.

16 “(b) ENERGY PERCENTAGE.—

17 “(1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, the energy percentage is 10
19 percent.

20 “(2) ENERGY EFFICIENT BUILDING PROP-
21 erty.—The energy percentage is 20 percent in the
22 case of energy efficient building property.

23 “(3) ELECTED SOLAR HOT WATER PROPERTY
24 AND PHOTOVOLTAIC PROPERTY.—The energy per-
25 centage is—

1 “(A) 15 percent for elected solar hot water
2 property for the period beginning on January 1,
3 1999, and ending on December 31, 2003, and

4 “(B) 15 percent for photovoltaic property
5 for the period beginning on January 1, 1999,
6 and ending on December 31, 2005.

7 “(4) PERIOD FOR WHICH CREDIT IS ALLOWED
8 FOR CERTAIN ENERGY PROPERTIES.—

9 “(A) IN GENERAL.—In the case of energy
10 property described in subparagraph (B), the
11 credit under subsection (a) shall be allowed only
12 for the period—

13 “(i) beginning on January 1, 1999
14 (January 1, 2000, in the case of a fuel cell
15 described in subsection (e)(3)(A)), and

16 “(ii) ending on December 31, 2003
17 (December 31, 2004, in the case of such
18 fuel cell).

19 “(B) ENERGY PROPERTY SPECIFIED.—The
20 energy property specified in this subparagraph
21 is energy-efficient building property, combined
22 heat and power system property, qualified cir-
23 cuit breaker property, and hydrofluorocarbon
24 and perfluorocompound recycling property.

1 “(5) COORDINATION WITH REHABILITATION.—

2 The energy percentage shall not apply to that por-
3 tion of the basis of any property which is attrib-
4 utable to qualified rehabilitation expenditures.

5 “(6) TRANSITIONAL RULES.—Rules similar to
6 the rules of section 48(m) (as in effect on the day
7 before the date of the enactment of the Revenue
8 Reconciliation Act of 1990) shall apply for purposes
9 of this subsection.

10 “(c) MAXIMUM CREDIT FOR CERTAIN PROPERTY.—

11 In the case of property referred to in any of the following
12 subparagraphs, the amount of the current year business
13 credit for the taxable year shall not exceed—

14 “(1) \$1,000 in the case of each item of elected
15 solar hot water property,

16 “(2) \$2,000 in the case of each item of photo-
17 voltaic property,

18 “(3) \$500 in the case of each item of energy-
19 efficient building property not referred to in para-
20 graph (4) or (5),

21 “(4) \$500 for each kilowatt of capacity in the
22 case of a fuel cell described in subsection (e)(3)(A),
23 and

24 “(5) \$1,000 in the case of a natural gas heat
25 pump described in subsection (e)(3)(D).

1 Paragraphs (1) and (2) shall apply only to property for
2 which the energy percentage is greater than 10 percent.

3 “(d) ENERGY PROPERTY DEFINED.—

4 “(1) IN GENERAL.—For purposes of this sub-
5 part, the term ‘energy property’ means any prop-
6 erty—

7 “(A) which is—

8 “(i) solar energy property,

9 “(ii) geothermal energy property,

10 “(iii) energy-efficient building prop-
11 erty,

12 “(iv) combined heat and power system
13 property,

14 “(v) qualified circuit breaker property,

15 or

16 “(vi) hydrofluorocarbon and
17 perfluorocompound recycling property,

18 “(B)(i) the construction, reconstruction, or
19 erection of which is completed by the taxpayer,

20 or

21 “(ii) which is acquired by the taxpayer if
22 the original use of such property commences
23 with the taxpayer,

1 “(C) with respect to which depreciation (or
2 amortization in lieu of depreciation) is allow-
3 able, and

4 “(D) which meets—

5 “(i) the performance and quality
6 standards (if any), and the certification re-
7 quirements (if any), which have been pre-
8 scribed by the Secretary by regulations
9 (after consultation with the Secretary of
10 Energy or the EPA Administrator, as ap-
11 propriate), and

12 “(ii) are in effect at the time of the
13 acquisition of the property.

14 “(2) EXCEPTION.—Such term shall not include
15 any property which is public utility property (as de-
16 fined in section 46(f)(5) as in effect on the day be-
17 fore the date of the enactment of the Revenue Rec-
18 onciliation Act of 1990). The preceding sentence
19 shall not apply to qualified circuit breaker property
20 and combined heat and power system property.

21 “(e) DEFINITIONS RELATING TO TYPES OF ENERGY
22 PROPERTY.—For purposes of this section—

23 “(1) SOLAR ENERGY PROPERTY.—

1 “(A) IN GENERAL.—The term ‘solar en-
2 ergy property’ means equipment which uses
3 solar energy—

4 “(i) to generate electricity,

5 “(ii) to heat or cool (or provide hot
6 water for use in) a structure, or

7 “(iii) to provide solar process heat.

8 “(B) ELECTED SOLAR WATER HEATING
9 PROPERTY.—The term ‘elected solar water
10 heating property’ means property which is solar
11 energy property by reason of subparagraph
12 (A)(ii) and for which an election under this sub-
13 paragraph is in effect.

14 “(C) PHOTOVOLTAIC PROPERTY.—The
15 term ‘photovoltaic property’ means solar energy
16 property which uses a solar photovoltaic process
17 to generate electricity.

18 “(D) SWIMMING POOLS, ETC., USED AS
19 STORAGE MEDIUM.—The term ‘solar energy
20 property’ shall not include a swimming pool,
21 hot tub, or any other energy storage medium
22 which has a function other than the function of
23 such storage.

24 “(E) SOLAR PANELS.—No solar panel or
25 other property installed as a roof (or portion

1 thereof) shall fail to be treated as solar energy
2 property solely because it constitutes a struc-
3 tural component of the structure on which it is
4 installed.

5 “(F) DOUBLE BENEFIT.—Credit shall not
6 be allowed under subsection (a)(1) for a taxable
7 year for an item of property described in a sub-
8 paragraph of this paragraph if, for such taxable
9 year, such item is described in another subpara-
10 graph of this paragraph for which credit is al-
11 lowed under subsection (a)(1).

12 “(2) GEOTHERMAL ENERGY PROPERTY.—The
13 term ‘geothermal energy property’ means equipment
14 used to produce, distribute, or use energy derived
15 from a geothermal deposit (within the meaning of
16 section 613(e)(2)), but only, in the case of electricity
17 generated by geothermal power, up to (but not in-
18 cluding) the electrical transmission stage.

19 “(3) ENERGY-EFFICIENT BUILDING PROP-
20 ERTY.—The term ‘energy-efficient building property’
21 means—

22 “(A) a fuel cell that—

23 “(i) generates electricity and heat
24 using an electrochemical process,

1 “(ii) has an electricity-only generation
2 efficiency greater than 35 percent, and

3 “(iii) has a minimum generating ca-
4 pacity of 50 kilowatts,

5 “(B) an electric heat pump hot water heat-
6 er that yields an energy factor of 1.7 or greater,

7 “(C) an electric heat pump that has a
8 heating system performance factor (HSPF) of
9 9 or greater and a cooling seasonal energy effi-
10 ciency ratio (SEER) of 15 or greater,

11 “(D) a natural gas heat pump that has a
12 coefficient of performance of not less than 1.25
13 for heating and not less than 0.70 for cooling,

14 “(E) a central air conditioner that has a
15 cooling seasonal energy efficiency ratio (SEER)
16 of 15 or greater, and

17 “(F) an advanced natural gas water heater
18 that has an energy factor of at least 0.80.

19 “(4) COMBINED HEAT AND POWER SYSTEM
20 PROPERTY.—

21 “(A) IN GENERAL.—The term ‘combined
22 heat and power system property’ means prop-
23 erty comprising a system—

24 “(i) which uses the same energy
25 source for the simultaneous or sequential

1 generation of electrical power, mechanical
2 shaft power, or both, in combination with
3 the generation of steam or other forms of
4 useful thermal energy (including heating
5 and cooling applications),

6 “(ii) which has an electrical capacity
7 of more than 50 kilowatts or a mechanical
8 energy capacity of more than 67 horse-
9 power or an equivalent combination of elec-
10 trical and mechanical energy capacities,

11 “(iii) which produces—

12 “(I) at least 20 percent of its
13 total useful energy in the form of
14 thermal energy, and

15 “(II) at least 20 percent of its
16 total useful energy in the form of elec-
17 trical or mechanical power (or a com-
18 bination thereof), and

19 “(iv) the energy efficiency percentage
20 of which exceeds 60 percent (70 percent in
21 the case of a system with an electrical ca-
22 pacity in excess of 50 megawatts or a me-
23 chanical energy capacity in excess of
24 67,000 horsepower).

25 “(B) SPECIAL RULES.—

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

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

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

13 “(ii) DETERMINATIONS MADE ON BTU
14 BASIS.—The energy efficiency percentage
15 and the percentages under subparagraph
16 (A)(iii) shall be determined on a Btu basis.

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

23 “(iv) ACCOUNTING RULE FOR PUBLIC
24 UTILITY PROPERTY.—In the case that
25 combined heat and power system property

1 is public utility property (as defined in sec-
2 tion 46(f)(5) as in effect on the day before
3 the date of the enactment of the Revenue
4 Reconciliation Act of 1990), the taxpayer
5 may only claim the credit under subsection
6 (a)(1) if, with respect to such property, the
7 taxpayer uses a normalization method of
8 accounting.

9 “(v) DEPRECIATION.—No credit shall
10 be allowed for any combined heat and
11 power system property unless the taxpayer
12 elects to treat such property for purposes
13 of section 168 as having a class life of 22
14 years.

15 “(5) QUALIFIED CIRCUIT BREAKER PROP-
16 erty.—

17 “(A) IN GENERAL.—The term ‘qualified
18 circuit breaker property’ means circuit breaker
19 equipment which replaces a dual pressure cir-
20 cuit breaker that—

21 “(i) contains sulfur hexafluoride
22 (SF6),

23 “(ii) has a capacity of not less than
24 115 kilovolts, and

1 “(iii) was placed into service before
2 January 1, 1986.

3 “(B) REQUIREMENT TO DESTROY OLD
4 EQUIPMENT.—A credit shall not be allowed
5 under subsection (a)(1) for qualified circuit
6 breaker property unless the taxpayer—

7 “(i) promptly destroys the replaced
8 property, and

9 “(ii) certifies such destruction in the
10 manner prescribed in regulations by the
11 Secretary (in consultation with the EPA
12 Administrator).

13 “(6) QUALIFIED HYDROFLUOROCARBON AND
14 PERFLUOROCOMPOUND RECYCLING PROPERTY.—

15 “(A) IN GENERAL.—The term ‘qualified
16 hydrofluorocarbon and perfluorocompound recy-
17 cling property’ means equipment—

18 “(i) which is used to recover and recy-
19 cle gas containing any hydrofluorocarbon
20 or specified perfluorocompound used in the
21 manufacturing of semiconductors, and

22 “(ii) which recovers and recycles not
23 less than 95 percent of the
24 hydrofluorocarbons and specified
25 perfluorocompounds within such gas.

1 “(B) SPECIFIED PERFLUOROCOMPOUND.—

2 For purposes of subparagraph (A), the term

3 ‘specified perfluorocompound’ means—

4 “(i) perfluoromethane,

5 “(ii) perfluoroethane,

6 “(iii) perfluoropropane,

7 “(iv) nitrogen trifluoride,

8 “(v) sulfur hexafluoride, and

9 “(vi) any other fully fluorinated com-
10 pound.

11 “(f) HIGHLY EFFICIENT PASSENGER VEHICLES.—

12 For purposes of subsection (a)(2)—

13 “(1) CREDIT AMOUNT.—

14 “(A) 2× VEHICLE.—The credit amount for
15 a highly efficient passenger vehicle not de-
16 scribed in subparagraph (B) shall be the
17 amount determined in accordance with the fol-
18 lowing table:

“Vehicle placed in service in calendar year—	The credit amount is—
2000, 2001, 2002, 2003	\$3,000
2004	\$2,000
2005	\$1,000.

19 “(B) 3× VEHICLE.—The credit amount for

20 a highly efficient passenger vehicle with a fuel

21 economy of at least 3 times the base fuel econ-

22 omy for the EPA category of such vehicle shall

1 be the amount determined in accordance with
 2 the following table:

“Vehicle placed in service in calendar year—	The credit amount is—
2003, 2004, 2005, 2006	\$4,000
2007	\$3,000
2008	\$2,000
2009	\$1,000.

3 “(2) HIGHLY EFFICIENT PASSENGER VEHI-
 4 CLE.—The term ‘highly efficient passenger vehicle’
 5 means any automobile—

6 “(A) with a fuel economy of at least 2
 7 times the base fuel economy for the EPA cat-
 8 egory of such automobile, and

9 “(B) to which section 168 applies.

10 “(3) EPA CATEGORY.—

11 “(A) IN GENERAL.—The term ‘EPA cat-
 12 egory’ means a category of automobiles estab-
 13 lished by the EPA Administrator pursuant to
 14 this paragraph.

15 “(B) CLASSIFICATION.—The EPA Admin-
 16 istrator shall, for each model year, assign—

17 “(i) automobiles of such model year
 18 which are passenger automobiles into 4
 19 classes: subcompact (including
 20 minicompact and 2-seat automobiles), com-
 21 pact and small wagon, midsize and midsize
 22 wagon, and large and large wagon, and

1 “(ii) automobiles of such model year
2 which are light trucks into 2 classes: 2-
3 wheel drive and 4-wheel drive.

4 “(C) CATEGORY.—

5 “(i) IN GENERAL.—The EPA Admin-
6 istrator shall establish vehicle categories
7 within each class established under sub-
8 paragraph (B).

9 “(ii) PASSENGER AUTOMOBILES.—In
10 the case of a class of passenger auto-
11 mobiles, each category shall consist of vehi-
12 cles in the class with comparable 0–60
13 miles per hour acceleration times (as deter-
14 mined by a performance test specified in
15 regulations prescribed by the EPA Admin-
16 istrator).

17 “(iii) LIGHT TRUCKS.—In the case of
18 a class of light trucks, each category shall
19 consist of vehicles in the class with com-
20 parable gross vehicle weight ratings.

21 “(iv) NONGASOLINE-POWERED AUTO-
22 MOBILES.—If any vehicle in a category is
23 propelled by a fuel other than gasoline, the
24 EPA Administrator shall establish a base
25 fuel economy for such vehicle which, for

1 such fuel, is equivalent on a Btu basis to
2 the base fuel economy for gasoline-powered
3 vehicles in such category.

4 “(4) FUEL ECONOMY.—

5 “(A) BASE FUEL ECONOMY.—The term
6 ‘base fuel economy’ means the average fuel
7 economy determined by the EPA Administrator
8 for each EPA category for a model year.

9 “(B) FUEL ECONOMY.—Fuel economy for
10 any vehicle shall be measured in accordance
11 with testing and calculation procedures estab-
12 lished by the EPA Administrator by regulation.
13 The Administrator shall report any measure-
14 ments of fuel economy to the Secretary.

15 “(5) AUTOMOBILE.—The term ‘automobile’ has
16 the meaning given to such term by section
17 4064(b)(1). A vehicle shall not fail to be treated as
18 an automobile solely by reason of weight if such ve-
19 hicle is rated at 8,500 pounds unloaded gross vehicle
20 weight or less.

21 “(6) EPA ADMINISTRATOR.—The term ‘EPA
22 Administrator’ means the Administrator of the Envi-
23 ronmental Protection Agency.

1 “(7) MODEL YEAR.—The term ‘model year’ has
2 the meaning given to such term by section
3 4064(b)(4).

4 “(8) TIME BY WHICH REGULATIONS MUST BE
5 ISSUED.—Testing and calculation procedures appli-
6 cable to a vehicle, and any amendment to such pro-
7 cedures (other than a technical or clerical amend-
8 ment), shall be promulgated not less than 12 months
9 before the model year to which such procedures
10 apply (July 1, 1999, in the case of procedures appli-
11 cable to model years beginning in 2000).

12 “(g) SPECIAL RULES.—For purposes of this sec-
13 tion—

14 “(1) SPECIAL RULE FOR PROPERTY FINANCED
15 BY SUBSIDIZED ENERGY FINANCING OR INDUSTRIAL
16 DEVELOPMENT BONDS.—

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

21 “(i) subsidized energy financing, or

22 “(ii) the proceeds of a private activity
23 bond (within the meaning of section 141)
24 the interest on which is exempt from tax
25 under section 103,

1 the amount taken into account as the basis of
2 such property shall not exceed the amount
3 which (but for this subparagraph) would be so
4 taken into account multiplied by the fraction
5 determined under subparagraph (B).

6 “(B) DETERMINATION OF FRACTION.—For
7 purposes of subparagraph (A), the fraction de-
8 termined under this subparagraph is 1 reduced
9 by a fraction—

10 “(i) the numerator of which is that
11 portion of the basis of the property which
12 is allocable to such financing or proceeds,
13 and

14 “(ii) the denominator of which is the
15 basis of the property.

16 “(C) SUBSIDIZED ENERGY FINANCING.—
17 For purposes of subparagraph (A), the term
18 ‘subsidized energy financing’ means financing
19 provided under a Federal, State, or local pro-
20 gram a principal purpose of which is to provide
21 subsidized financing for projects designed to
22 conserve or produce energy.

23 “(2) CERTAIN PROGRESS EXPENDITURE RULES
24 MADE APPLICABLE.—Rules similar to the rules of
25 subsections (c)(4) and (d) of section 46 (as in effect

1 on the day before the date of the enactment of the
2 Revenue Reconciliation Act of 1990) shall apply for
3 purposes of this section.”.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 48 of such Code is amended to read
6 as follows:

7 **“SEC. 48. REFORESTATION CREDIT.**

8 “(a) IN GENERAL.—For purposes of section 46, the
9 reforestation credit for any taxable year is 10 percent of
10 the portion of the amortizable basis of any qualified timber
11 property which was acquired during such taxable year and
12 which is taken into account under section 194 (after the
13 application of section 194(b)(1)).

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

18 (2) Subsection (d) of section 39 of such Code
19 is amended by adding at the end the following new
20 paragraph:

21 “(9) NO CARRYBACK OF ENERGY CREDIT BE-
22 FORE EFFECTIVE DATE.—No portion of the unused
23 business credit for any taxable year which is attrib-
24 utable to the energy credit determined under section

1 48A may be carried back to a taxable year ending
2 before the date of the enactment of section 48A.”.

3 (3) Paragraph (3) of section 50(c) of such Code
4 is amended by adding at the end the following flush
5 sentence:

6 “In the case of the energy credit, the preceding sen-
7 tence shall apply only to so much of such credit as
8 relates to solar energy property and geothermal
9 property (as such terms are defined in section
10 48A(e)).”.

11 (4) Subclause (III) of section 29(b)(3)(A)(i) of
12 such Code is amended by striking “section
13 48(a)(4)(C)” and inserting “section 48A(g)(1)(C)”.

14 (5) Subparagraph (E) of section 50(a)(2) of
15 such Code is amended by striking “section 48(a)(5)”
16 and inserting “section 48A(g)(2)”.

17 (6) Subparagraph (B) of section 168(e)(3) of
18 such Code is amended—

19 (A) in clause (vi)(I) by striking “section
20 48(a)(3)” and inserting “paragraphs (1) and
21 (2) of section 48A(e)”, and

22 (B) in the last sentence by striking “sec-
23 tion 48(a)(3)” and inserting “section
24 48A(d)(2)”.

1 (7) Subparagraph (E) of section 168(e)(3) of
 2 such Code is amended by striking “and” at the end
 3 of clause (ii), by striking the period at the end of
 4 clause (iii) and inserting “, and”, and by inserting
 5 after clause (iii) the following new clause:

6 “(iv) any combined heat and power
 7 system property (as defined in section
 8 48A(e)(4)) for which a credit is allowed
 9 under section 48A and which, but for this
 10 clause, would have a recovery period of less
 11 than 15 years.”.

12 (8) The table contained in subparagraph (B) of
 13 section 168(g)(3) of such Code is amended by add-
 14 ing at the end the following:

 “(E)(iv) 22”.

15 (c) CLERICAL AMENDMENT.—The table of sections
 16 for subpart E of part IV of subchapter A of chapter 1
 17 of such Code is amended by striking the item relating to
 18 section 48 and inserting the following new items:

 “Sec. 48. Reforestation credit.

 “Sec. 48A. Energy credit.”.

19 (d) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to periods after December 31,
 21 1998, under rules similar to the rules of section 48(m)
 22 of the Internal Revenue Code of 1986 (as in effect on the

1 day before the date of the enactment of the Revenue Rec-
2 onciliation Act of 1990).

3 **SEC. 3. CREDIT FOR CERTAIN NONBUSINESS ENERGY**
4 **PROPERTY.**

5 (a) IN GENERAL.—Subpart A of part IV of sub-
6 chapter A of chapter 1 of the Internal Revenue Code of
7 1986 (relating to nonrefundable personal credits) is
8 amended by inserting after section 25A the following new
9 section:

10 **“SEC. 25B. NONBUSINESS ENERGY PROPERTY.**

11 “(a) ALLOWANCE OF CREDIT.—

12 “(1) IN GENERAL.—In the case of an individ-
13 ual, there shall be allowed as a credit against the tax
14 imposed by this chapter for the taxable year an
15 amount equal to the sum of—

16 “(A) the applicable percentage of residen-
17 tial energy property expenditures made by the
18 taxpayer during such year, and

19 “(B) the credit amount (determined under
20 section 48A(f)) for each vehicle purchased dur-
21 ing the taxable year which would be a highly ef-
22 ficient passenger vehicle as defined in section
23 48A(f)(2) but for subparagraph (B) thereof.

1 “(2) APPLICABLE PERCENTAGE.—For purposes
2 of paragraph (1), the term ‘applicable percentage’
3 means—

4 “(A) 20 percent in the case of energy-effi-
5 cient building property,

6 “(B) 15 percent in the case of solar water
7 heating property and photovoltaic property, and

8 “(C) 1 percent in the case of a new, highly
9 energy-efficient principal residence.

10 “(b) MAXIMUM CREDIT.—

11 “(1) IN GENERAL.—The amount of the credit
12 allowed under subsection (a)(1)(A) with respect to
13 each dwelling unit for the taxable year shall not ex-
14 ceed—

15 “(A) \$500 in the case of expenditures at-
16 tributable to each item of energy-efficient build-
17 ing property (other than a fuel cell or natural
18 gas heat pump),

19 “(B) \$500 for each kilowatt of capacity in
20 the case of a fuel cell,

21 “(C) \$1,000 in the case of expenditures at-
22 tributable to each natural gas heat pump,

23 “(D) \$1,000 in the case of expenditures
24 attributable to each item of solar water heating
25 property,

1 “(E) \$2,000 in the case of expenditures at-
2 tributable to each item of photovoltaic property,
3 and

4 “(F) \$2,000 in the case of expenditures at-
5 tributable to the acquisition of a new, highly en-
6 ergy-efficient principal residence (\$1,000 in the
7 case of an acquisition after December 31, 2003,
8 and before January 1, 2006).

9 “(2) COORDINATION OF LIMITATIONS.—If a
10 credit is allowed to the taxpayer for any taxable year
11 by reason of an acquisition of a new, highly energy-
12 efficient principal residence, no other credit shall be
13 allowed under subsection (a)(1)(A) with respect to
14 such residence during the 1-taxable year period be-
15 ginning with such taxable year.

16 “(c) RESIDENTIAL ENERGY PROPERTY EXPENDI-
17 TURES.—For purposes of this section—

18 “(1) IN GENERAL.—The term ‘residential en-
19 ergy property expenditures’ means—

20 “(A) expenditures made for the purchase
21 by the taxpayer of a new, highly energy-efficient
22 principal residence located in the United States,
23 and

1 “(B) expenditures made by the taxpayer
2 for qualified energy property installed on or in
3 connection with a dwelling unit—

4 “(i) which is located in the United
5 States, and

6 “(ii) which is used by the taxpayer as
7 a residence.

8 Such term includes expenditures for labor costs
9 properly allocable to the onsite preparation, assem-
10 bly, or original installation of the property.

11 “(2) QUALIFIED ENERGY PROPERTY.—

12 “(A) IN GENERAL.—The term ‘qualified
13 energy property’ means—

14 “(i) energy-efficient building property,

15 “(ii) solar water heating property, and

16 “(iii) photovoltaic property.

17 “(B) SWIMMING POOL, ETC., USED AS
18 STORAGE MEDIUM; SOLAR PANELS.—For pur-
19 poses of this paragraph, the provisions of sub-
20 paragraphs (D) and (E) section 48A(e)(1) shall
21 apply.

22 “(3) ENERGY-EFFICIENT BUILDING PROP-
23 ERTY.—The term ‘energy-efficient building property’
24 has the meaning given to such term by section
25 48A(e)(3).

1 “(4) SOLAR WATER HEATING PROPERTY.—The
2 term ‘solar water heating property’ means property
3 which, when installed in connection with a structure,
4 uses solar energy for the purpose of providing hot
5 water for use within such structure.

6 “(5) PHOTOVOLTAIC PROPERTY.—The term
7 ‘photovoltaic property’ has the meaning given to
8 such term by section 48A(e)(1)(C).

9 “(6) NEW, HIGHLY ENERGY-EFFICIENT PRIN-
10 CIPAL RESIDENCE.—

11 “(A) IN GENERAL.—Property is a new,
12 highly energy-efficient principal residence if—

13 “(i) the original use of such property
14 commences with the taxpayer and is, at
15 the time of such use, the principal resi-
16 dence of the taxpayer, and

17 “(ii) such property—

18 “(I) exceeds by 50 percent or
19 more the energy efficiency standards
20 specified in the Model Energy Code,
21 1993 of the Council of American
22 Building Officials, and

23 “(II) is certified before such use
24 commences as meeting the require-
25 ments of subclause (I).

1 “(B) CERTIFICATION.—The certification
2 required by subparagraph (A)(ii)(II) shall be
3 made to the Secretary of Energy by an individ-
4 ual qualified to make such certifications (as de-
5 termined by the Secretary of Energy by regula-
6 tions prescribed in consultation with the Sec-
7 retary). Certifications made for the purposes of
8 this paragraph shall be filed with the Secretary
9 of Energy no less frequently than annually and
10 shall include the TIN of the certifier, the ad-
11 dress of the building certified, and the identity
12 of the person for whom such certification was
13 performed. Certifications filed with the Sec-
14 retary of Energy shall be available for inspec-
15 tion by the Secretary.

16 “(C) PRINCIPAL RESIDENCE.—The term
17 ‘principal residence’ has the same meaning as
18 when used in section 121, except that the pe-
19 riod for which a building is treated as the prin-
20 cipal residence of the taxpayer shall also include
21 the 60-day period ending on the 1st day on
22 which it would (but for this subparagraph) first
23 be treated as his principal residence.

24 “(d) SPECIAL RULES.—For purposes of this sec-
25 tion—

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

6 “(A) The amount of the credit allowable
7 under subsection (a) by reason of expenditures
8 made during such calendar year by any of such
9 individuals with respect to such dwelling unit
10 shall be determined by treating all of such indi-
11 viduals as 1 taxpayer whose taxable year is
12 such calendar year.

13 “(B) There shall be allowable with respect
14 to such expenditures to each of such individ-
15 uals, a credit under subsection (a) for the tax-
16 able year in which such calendar year ends in
17 an amount which bears the same ratio to the
18 amount determined under subparagraph (A) as
19 the amount of such expenditures made by such
20 individual during such calendar year bears to
21 the aggregate of such expenditures made by all
22 of such individuals during such calendar year.

23 “(2) TENANT-STOCKHOLDER IN COOPERATIVE
24 HOUSING CORPORATION.—In the case of an individ-
25 ual who is a tenant-stockholder (as defined in sec-

1 tion 216) in a cooperative housing corporation (as
2 defined in such section), such individual shall be
3 treated as having made his tenant-stockholder's pro-
4 portionate share (as defined in section 216(b)(3)) of
5 any expenditures of such corporation.

6 “(3) CONDOMINIUMS.—

7 “(A) IN GENERAL.—In the case of an indi-
8 vidual who is a member of a condominium man-
9 agement association with respect to a con-
10 dominium which he owns, such individual shall
11 be treated as having made his proportionate
12 share of any expenditures of such association.

13 “(B) CONDOMINIUM MANAGEMENT ASSO-
14 CIATION.—For purposes of this paragraph, the
15 term ‘condominium management association’
16 means an organization which meets the require-
17 ments of paragraph (1) of section 528(c) (other
18 than subparagraph (E) thereof) with respect to
19 a condominium project substantially all of the
20 units of which are used as residences.

21 “(4) JOINT OWNERSHIP OF ENERGY ITEMS.—

22 “(A) IN GENERAL.—Any expenditure oth-
23 erwise qualifying as a residential energy prop-
24 erty expenditure shall not be treated as failing
25 to so qualify merely because such expenditure

1 was made with respect to 2 or more dwelling
2 units.

3 “(B) LIMITS APPLIED SEPARATELY.—In
4 the case of any expenditure described in sub-
5 paragraph (A), the amount of the credit allow-
6 able under subsection (a) shall (subject to para-
7 graph (1)) be computed separately with respect
8 to the amount of the expenditure made for each
9 dwelling unit.

10 “(5) ALLOCATION IN CERTAIN CASES.—

11 “(A) IN GENERAL.—Except as provided in
12 subparagraph (B), if less than 80 percent of
13 the use of an item is for nonbusiness purposes,
14 only that portion of the expenditures for such
15 item which is properly allocable to use for non-
16 business purposes shall be taken into account.
17 For purposes of this paragraph, use for a swim-
18 ming pool shall be treated as use which is not
19 for nonbusiness purposes.

20 “(B) SPECIAL RULE FOR VEHICLES.—For
21 purposes of this section and section 48A, a ve-
22 hicle shall be treated as used entirely for busi-
23 ness or nonbusiness purposes if the majority of
24 the use of such vehicle is for business or non-
25 business purposes, as the case may be.

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

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

7 “(B) EXPENDITURES PART OF BUILDING
8 CONSTRUCTION.—In the case of an expenditure
9 in connection with the construction of a struc-
10 ture, such expenditure shall be treated as made
11 when the original use of the constructed struc-
12 ture by the taxpayer begins.

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

15 “(7) PROPERTY FINANCED BY SUBSIDIZED EN-
16 ERGY FINANCING.—

17 “(A) REDUCTION OF EXPENDITURES.—
18 For purposes of determining the amount of res-
19 idential energy property expenditures made by
20 any individual with respect to any dwelling unit,
21 there shall not be taken in to account expendi-
22 tures which are made from subsidized energy fi-
23 nancing (as defined in section 48A(g)(1)).

24 “(B) DOLLAR LIMITS REDUCED.—The ap-
25 propriate subparagraph of subsection (b)(1)

1 shall be applied with respect to such dwelling
2 unit for any taxable year of such taxpayer by
3 reducing each dollar amount contained in such
4 subparagraph by an amount equal to the sum
5 of—

6 “(i) the amount of the expenditures
7 which were made by the taxpayer during
8 such taxable year with respect to such
9 dwelling unit and which were not taken
10 into account by reason of subparagraph
11 (A), and

12 “(ii) the amount of any Federal,
13 State, or local grant received by the tax-
14 payer during such taxable year which was
15 used to make residential energy property
16 expenditures with respect to the dwelling
17 unit and which was not included in the
18 gross income of such taxpayer.

19 “(e) BASIS ADJUSTMENTS.—For purposes of this
20 subtitle, if a credit is allowed under this section for any
21 expenditure with respect to any property, the increase in
22 the basis of such property which would (but for this sub-
23 section) result from such expenditure shall be reduced by
24 the amount of the credit so allowed.

25 “(f) APPLICATION OF SECTION.—

1 “(1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, this section shall apply to
3 expenditures made after December 31, 1998, and
4 before January 1, 2004.

5 “(2) FUEL CELLS.—This section shall apply to
6 expenditures attributable to fuel cells which are
7 made after December 31, 1999, and before January
8 1, 2005.

9 “(3) PHOTOVOLTAIC PROPERTY.—This section
10 shall apply to expenditures attributable to photo-
11 voltaic property which are made after December 31,
12 1998, and before January 1, 2006.

13 “(4) NEW, HIGHLY ENERGY-EFFICIENT PRIN-
14 CIPAL RESIDENCE.—This section shall apply to ex-
15 penditures attributable to new, highly energy-effi-
16 cient principal residences acquired (within the mean-
17 ing of section 72(t)(8)(D)(iii)) after December 31,
18 1998, and before January 1, 2006.

19 “(5) HIGHLY EFFICIENT PASSENGER VEHI-
20 CLES.—This section shall apply to vehicles pur-
21 chased after December 31, 1998, and before Janu-
22 ary 1, 2010.”.

23 (b) CONFORMING AMENDMENTS.—

24 (1) Subsection (a) of section 1016 of such Code
25 is amended by striking “and” at the end of para-

1 graph (26), by striking the period at the end of
2 paragraph (27) and inserting “; and”, and by add-
3 ing at the end the following new paragraph:

4 “(28) to the extent provided in section 25B(e),
5 in the case of amounts with respect to which a credit
6 has been allowed under section 25B.”.

7 (2) The table of sections for subpart A of part
8 IV of subchapter A of chapter 1 of such Code is
9 amended by inserting after the item relating to sec-
10 tion 25A the following new item:

“Sec. 25B. Nonbusiness energy property.”.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to expenditures after December 31,
13 1998.

14 **SEC. 4. EQUALIZATION OF TREATMENT OF PARKING AND**
15 **TRANSIT FRINGE BENEFITS.**

16 (a) INCREASE IN MONTHLY LIMIT FOR TRANSIT AND
17 COMMUTER HIGHWAY VEHICLES BENEFITS.—Subpara-
18 graph (A) of section 132(f)(2) of the Internal Revenue
19 Code of 1986 (relating to limitation on exclusion), as
20 amended by the Transportation Equity Act for the 21st
21 Century, is amended by striking “\$65” and inserting
22 “\$175”.

23 (b) CONFORMING AMENDMENT.—Subsection (c) of
24 section 9010 of the Transportation Equity Act for the
25 21st Century is repealed, and section 132 of the Internal

1 Revenue Code of 1986 shall be applied as if such sub-
2 section had never been enacted.

3 (c) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall take effect as if included in the
5 amendments made by section 9010(b) of the Transpor-
6 tation Equity Act for the 21st Century.

7 **SEC. 5. EXTENSION OF CREDIT FOR ELECTRICITY PRO-**
8 **DUCED FROM CERTAIN RENEWABLE RE-**
9 **SOURCES.**

10 Paragraph (3) of section 45(c) of the Internal Reve-
11 nue Code of 1986 (definitions relating to electricity pro-
12 duced from certain renewable resources) is amended by
13 striking “July 1, 1999” and inserting “July 1, 2004.”.

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