

106TH CONGRESS
1ST SESSION

S. 1833

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage the production and use of efficient energy sources, and for other purposes.

IN THE SENATE OF THE UNITED STATES

OCTOBER 29, 1999

Mr. DASCHLE (for himself, Mr. BINGAMAN, Mr. BAUCUS, Mr. BYRD, Mr. KERREY, and Mr. INOUE) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide tax incentives to encourage the production and use of efficient energy sources, 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; AMENDMENT OF 1986 CODE;**

4 **TABLE OF CONTENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the
6 “Energy Security Tax Act of 1999”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
 2 shall be considered to be made to a section or other provi-
 3 sion of the Internal Revenue Code of 1986.

4 (c) TABLE OF CONTENTS.—The table of contents for
 5 this Act is as follows:

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

Sec. 101. Credit for certain energy-efficient property used in business.

TITLE II—NONBUSINESS ENERGY SYSTEMS

Sec. 201. Credit for certain nonbusiness energy systems.

TITLE III—ALTERNATIVE FUELS

Sec. 301. Allocation of alcohol fuels credit to patrons of a cooperative.

TITLE IV—AUTOMOBILES

Sec. 401. Extension of credit for qualified electric vehicles.

TITLE V—CLEAN COAL TECHNOLOGIES

Sec. 501. Credit for investment in qualifying clean coal technology.

Sec. 502. Credit for production from qualifying clean coal technology.

Sec. 503. Risk pool for qualifying clean coal technology.

TITLE VI—METHANE RECOVERY

Sec. 601. Credit for capture of coalbed methane gas.

TITLE VII—OIL AND GAS PRODUCTION

Sec. 701. Credit for production of re-refined lubricating oil.

Sec. 702. 5-year net operating loss carryback for losses attributable to oper-
 ating mineral interests of independent oil and gas producers.

Sec. 703. Deduction for delay rental payments.

Sec. 704. Election to expense geological and geophysical expenditures.

Sec. 705. Elimination of limitation based on 65 percent of taxable income.

Sec. 706. Taxable income limit on percentage depletion for marginal produc-
 tion.

TITLE VIII—RENEWABLE POWER GENERATION

Sec. 801. Modifications to credit for electricity produced from renewable re-
 sources.

Sec. 802. Credit for capital costs of qualified biomass-based generating system.

Sec. 803. Treatment of facilities using bagasse to produce energy as solid waste
 disposal facilities eligible for tax-exempt financing.

TITLE IX—STEELMAKING

Sec. 901. Credit for investment in energy-efficient steelmaking facilities.

Sec. 902. Extension of credit for electricity to production from steel cogeneration.

TITLE X—AGRICULTURE

Sec. 1001. Agricultural conservation tax credit.

1 **TITLE I—ENERGY-EFFICIENT**
 2 **PROPERTY USED IN BUSINESS**

3 **SEC. 101. CREDIT FOR CERTAIN ENERGY-EFFICIENT PROP-**
 4 **ERTY USED IN BUSINESS.**

5 (a) IN GENERAL.—Subpart E of part IV of sub-
 6 chapter A of chapter 1 (relating to rules for computing
 7 investment credit) is amended by inserting after section
 8 48 the following:

9 **“SEC. 48A. ENERGY CREDIT.**

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

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

15 “(2) the credit amount for each qualified hybrid
 16 vehicle placed in service during the taxable year.

17 “(b) ENERGY PERCENTAGE.—

18 “(1) IN GENERAL.—The energy percentage is—

19 “(A) except as otherwise provided in this
 20 subparagraph, 10 percent,

1 “(B) in the case of energy property de-
 2 scribed in clauses (i), (iii), (vi), and (vii) of sub-
 3 section (c)(1)(A), 20 percent,

4 “(C) in the case of energy property de-
 5 scribed in subsection (c)(1)(A)(v), 15 percent,
 6 and

7 “(D) in the case of energy property de-
 8 scribed in subsection (c)(1)(A)(ii) relating to a
 9 high risk geothermal well, 20 percent.

10 “(2) COORDINATION WITH REHABILITATION.—

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

14 “(c) ENERGY PROPERTY DEFINED.—

15 “(1) IN GENERAL.—For purposes of this sub-
 16 part, the term ‘energy property’ means any
 17 property—

18 “(A) which is—

19 “(i) solar energy property,

20 “(ii) geothermal energy property,

21 “(iii) energy-efficient building prop-
 22 erty,

23 “(iv) combined heat and power system
 24 property,

1 “(v) low core loss distribution trans-
2 former property,

3 “(vi) qualified anaerobic digester
4 property, or

5 “(vii) qualified wind energy systems
6 equipment property,

7 “(B)(i) the construction, reconstruction, or
8 erection of which is completed by the taxpayer,
9 or

10 “(ii) which is acquired by the taxpayer if
11 the original use of such property commences
12 with the taxpayer,

13 “(C) which can reasonably be expected to
14 remain in operation for at least 5 years,

15 “(D) with respect to which depreciation (or
16 amortization in lieu of depreciation) is allow-
17 able, and

18 “(E) which meets the performance and
19 quality standards (if any) which—

20 “(i) have been prescribed by the Sec-
21 retary by regulations (after consultation
22 with the Secretary of Energy), and

23 “(ii) are in effect at the time of the
24 acquisition of the property.

25 “(2) EXCEPTIONS.—

1 “(A) PUBLIC UTILITY PROPERTY.—Such
 2 term shall not include any property which is
 3 public utility property (as defined in section
 4 46(f)(5) as in effect on the day before the date
 5 of the enactment of the Revenue Reconciliation
 6 Act of 1990), except for property described in
 7 paragraph (1)(A)(iv).

8 “(B) CERTAIN WIND EQUIPMENT.—Such
 9 term shall not include equipment described in
 10 paragraph (1)(A)(vii) which is taken into ac-
 11 count for purposes of section 45 for the taxable
 12 year.

13 “(d) DEFINITIONS RELATING TO TYPES OF ENERGY
 14 PROPERTY.—For purposes of this section—

15 “(1) SOLAR ENERGY PROPERTY.—

16 “(A) IN GENERAL.—The term ‘solar en-
 17 ergy property’ means equipment which uses
 18 solar energy to generate electricity, to heat or
 19 cool (or provide hot water for use in) a struc-
 20 ture, or to provide solar process heat.

21 “(B) SWIMMING POOLS, ETC., USED AS
 22 STORAGE MEDIUM.—The term ‘solar energy
 23 property’ shall not include property with respect
 24 to which expenditures are properly allocable to
 25 a swimming pool, hot tub, or any other energy

1 storage medium which has a function other
2 than the function of such storage.

3 “(C) SOLAR PANELS.—No solar panel or
4 other property installed as a roof (or portion
5 thereof) shall fail to be treated as solar energy
6 property solely because it constitutes a struc-
7 tural component of the structure on which it is
8 installed.

9 “(2) GEOTHERMAL ENERGY PROPERTY.—

10 “(A) IN GENERAL.—The term ‘geothermal
11 energy property’ means equipment used to
12 produce, distribute, or use energy derived from
13 a geothermal deposit (within the meaning of
14 section 613(e)(2)), but only, in the case of elec-
15 tricity generated by geothermal power, up to
16 (but not including) the electrical transmission
17 stage.

18 “(B) HIGH RISK GEOTHERMAL WELL.—
19 The term ‘high risk geothermal well’ means a
20 geothermal deposit (within the meaning of sec-
21 tion 613(e)(2)) which requires high risk drilling
22 techniques. Such deposit may not be located in
23 a State or national park or in an area in which
24 the relevant State park authority or the Na-
25 tional Park Service determines the development

1 of such a deposit will negatively impact on a
2 State or national park.

3 “(3) ENERGY-EFFICIENT BUILDING PROP-
4 ERTY.—

5 “(A) IN GENERAL.—The term ‘energy-effi-
6 cient building property’ means—

7 “(i) a fuel cell that—

8 “(I) generates electricity and
9 heat using an electrochemical process,

10 “(II) has an electricity-only gen-
11 eration efficiency greater than 35 per-
12 cent, and

13 “(III) has a minimum generating
14 capacity of 5 kilowatts,

15 “(ii) an electric heat pump hot water
16 heater that yields an energy factor of 1.7
17 or greater under standards prescribed by
18 the Secretary of Energy,

19 “(iii) an electric heat pump that has
20 a heating system performance factor
21 (HSPF) of 9 or greater and a cooling sea-
22 sonal energy efficiency ratio (SEER) of
23 13.5 or greater,

24 “(iv) a natural gas heat pump that
25 has a coefficient of performance of not less

1 than 1.25 for heating and not less than
2 0.60 for cooling,

3 “(v) a central air conditioner that has
4 a cooling seasonal energy efficiency ratio
5 (SEER) of 13.5 or greater,

6 “(vi) an advanced natural gas water
7 heater that—

8 “(I) increases steady state effi-
9 ciency and reduces standby and vent
10 losses, and

11 “(II) has an energy factor of at
12 least 0.65,

13 “(vii) an advanced natural gas fur-
14 nace that achieves a 95 percent AFUE,
15 and

16 “(viii) natural gas cooling
17 equipment—

18 “(I) that has a coefficient of per-
19 formance of not less than .60, or

20 “(II) that uses desiccant tech-
21 nology and has an efficiency rating of
22 40 percent.

23 “(B) LIMITATIONS.—The credit under sub-
24 section (a)(1) for the taxable year may not
25 exceed—

1 “(i) \$500 in the case of property de-
2 scribed in subparagraph (A) other than
3 clauses (i) and (iv) thereof,

4 “(ii) \$500 for each kilowatt of capac-
5 ity in the case of a fuel cell described in
6 subparagraph (A)(i), and

7 “(iii) \$1,000 in the case of a natural
8 gas heat pump described in subparagraph
9 (A)(iv).

10 “(4) COMBINED HEAT AND POWER SYSTEM
11 PROPERTY.—

12 “(A) IN GENERAL.—The term ‘combined
13 heat and power system property’ means
14 property—

15 “(i) comprising a system for using the
16 same energy source for the sequential gen-
17 eration of electrical power, mechanical
18 shaft power, or both, in combination with
19 steam, heat, or other forms of useful en-
20 ergy,

21 “(ii) that has an electrical capacity of
22 more than 50 kilowatts, and

23 “(iii) that produces at least 20 per-
24 cent of its total useful energy in the form

1 of both thermal energy and electrical or
2 mechanical power.

3 “(B) ACCOUNTING RULE FOR PUBLIC
4 UTILITY PROPERTY.—In the case that combined
5 heat and power system property is public utility
6 property (as defined in section 46(f)(5) as in ef-
7 fect on the day before the date of the enact-
8 ment of the Revenue Reconciliation Act of
9 1990), the taxpayer may only claim the credit
10 under subsection (a)(1) if, with respect to such
11 property, the taxpayer uses a normalization
12 method of accounting.

13 “(5) LOW CORE LOSS DISTRIBUTION TRANS-
14 FORMER PROPERTY.—The term ‘low core loss dis-
15 tribution transformer property’ means a distribution
16 transformer which has energy savings from a highly
17 efficient core of at least 20 percent more than the
18 average for power ratings reported by studies re-
19 quired under section 124 of the Energy Policy Act
20 of 1992.

21 “(6) QUALIFIED ANAEROBIC DIGESTER PROP-
22 erty.—The term ‘qualified anaerobic digester prop-
23 erty’ means an anaerobic digester for manure or
24 crop waste that achieves at least 65 percent effi-
25 ciency measured in terms of the fraction of energy

1 input converted to electricity and useful thermal en-
 2 ergy.

3 “(7) QUALIFIED WIND ENERGY SYSTEMS
 4 EQUIPMENT PROPERTY.—The term ‘qualified wind
 5 energy systems equipment property’ means wind en-
 6 ergy systems equipment with a turbine size of not
 7 more than 50 kilowatts rated capacity.

8 “(e) QUALIFIED HYBRID VEHICLES.—For purposes
 9 of subsection (a)(2)—

10 “(1) CREDIT AMOUNT.—

11 “(A) IN GENERAL.—The credit amount for
 12 each qualified hybrid vehicle with a recharge-
 13 able energy storage system that provides the
 14 applicable percentage of the maximum available
 15 power shall be the amount specified in the fol-
 16 lowing table:

“Applicable percentage		Credit amount is:
Greater than or equal to—	Less than—	
5 percent	10 percent	\$500
10 percent	20 percent	\$1,000
20 percent	30 percent	\$1,500
30 percent		\$2,000

17 “(B) INCREASE IN CREDIT AMOUNT FOR
 18 REGENERATIVE BRAKING SYSTEM.—In the case
 19 of a qualified hybrid vehicle that actively em-
 20 ploys a regenerative braking system which sup-
 21 plies to the rechargeable energy storage system

1 the applicable percentage of the energy avail-
 2 able from braking in a typical 60 miles per
 3 hour to 0 miles per hour braking event, the
 4 credit amount determined under subparagraph
 5 (A) shall be increased by the amount specified
 6 in the following table:

"Applicable percentage		Credit amount in- crease is:
Greater than or equal to—	Less than—	
20 percent	40 percent	\$250
40 percent	60 percent	\$500
60 percent		\$1,000

7 “(2) QUALIFIED HYBRID VEHICLE.—The term
 8 ‘qualified hybrid vehicle, means an automobile that
 9 meets all applicable regulatory requirements and
 10 that can draw propulsion energy from both of the
 11 following on-board sources of stored energy:

12 “(A) A consumable fuel.

13 “(B) A rechargeable energy storage sys-
 14 tem.

15 “(3) MAXIMUM AVAILABLE POWER.—The term
 16 ‘maximum available power’ means the maximum
 17 value of the sum of the heat engine and electric
 18 drive system power or other non-heat energy conver-
 19 sion devices available for a driver’s command for
 20 maximum acceleration at vehicle speeds under 75
 21 miles per hour.

1 “(4) AUTOMOBILE.—The term ‘automobile’ has
2 the meaning given such term by section 4064(b)(1)
3 (without regard to subparagraphs (B) and (C) there-
4 of). A vehicle shall not fail to be treated as an auto-
5 mobile solely by reason of weight if such vehicle is
6 rated at 8,500 pounds gross vehicle weight rating or
7 less.

8 “(5) DOUBLE BENEFIT; PROPERTY USED OUT-
9 SIDE UNITED STATES, ETC., NOT QUALIFIED.—No
10 credit shall be allowed under subsection (a)(2) with
11 respect to—

12 “(A) any property for which a credit is al-
13 lowed under section 25B or 30,

14 “(B) any property referred to in section
15 50(b), and

16 “(C) the portion of the cost of any prop-
17 erty taken into account under section 179 or
18 179A.

19 “(6) REGULATIONS.—

20 “(A) TREASURY.—The Secretary shall pre-
21 scribe such regulations as may be necessary or
22 appropriate to carry out the purposes of this
23 subsection.

24 “(B) ENVIRONMENTAL PROTECTION AGEN-
25 CY.—The Administrator of the Environmental

1 Protection Agency shall prescribe such regula-
2 tions as may be necessary or appropriate to
3 specify the testing and calculation procedures
4 that would be used to determine whether a vehi-
5 cle meets the qualifications for a credit under
6 this subsection.

7 “(7) TERMINATION.—Paragraph (2) shall not
8 apply with respect to any vehicle placed in service
9 during a calendar year ending before January 1,
10 2003, or after December 31, 2006.

11 “(f) SPECIAL RULES.—For purposes of this
12 section—

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

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

20 “(i) subsidized energy financing, or

21 “(ii) the proceeds of a private activity
22 bond (within the meaning of section 141)
23 the interest on which is exempt from tax
24 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 “(g) APPLICATION OF SECTION.—

5 “(1) IN GENERAL.—Except as provided by
 6 paragraph (2) and subsection (e), this section shall
 7 apply to property placed in service after December
 8 31, 1999, and before January 1, 2004.

9 “(2) EXCEPTIONS.—

10 “(A) SOLAR ENERGY AND GEOTHERMAL
 11 ENERGY PROPERTY.—Paragraph (1) shall not
 12 apply to solar energy property or geothermal
 13 energy property.

14 “(B) FUEL CELL PROPERTY.—In the case
 15 of property that is a fuel cell described in sub-
 16 section (d)(3)(A)(i), this section shall apply to
 17 property placed in service after December 31,
 18 1999, and before January 1, 2005.”

19 (b) CONFORMING AMENDMENTS.—

20 (1) Section 48 is amended to read as follows:

21 **“SEC. 48. REFORESTATION CREDIT.**

22 “(a) IN GENERAL.—For purposes of section 46, the
 23 reforestation credit for any taxable year is 20 percent of
 24 the portion of the amortizable basis of any qualified timber
 25 property which was acquired during such taxable year and

1 which is taken into account under section 194 (after the
2 application of section 194(b)(1)).

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

7 (2) Section 39(d) is amended by adding at the
8 end the following:

9 “(9) NO CARRYBACK OF ENERGY CREDIT BE-
10 FORE EFFECTIVE DATE.—No portion of the unused
11 business credit for any taxable year which is attrib-
12 utable to the energy credit determined under section
13 48A may be carried back to a taxable year ending
14 before the date of the enactment of section 48A.”

15 (3) Section 280C is amended by adding at the
16 end the following:

17 “(d) CREDIT FOR ENERGY PROPERTY EXPENSES.—

18 “(1) IN GENERAL.—No deduction shall be al-
19 lowed for that portion of the expenses for energy
20 property (as defined in section 48A(c)) otherwise al-
21 lowable as a deduction for the taxable year which is
22 equal to the amount of the credit determined for
23 such taxable year under section 48A(a).

24 “(2) SIMILAR RULE WHERE TAXPAYER CAP-
25 ITALIZES RATHER THAN DEDUCTS EXPENSES.—If—

1 “(A) the amount of the credit allowable for
2 the taxable year under section 48A (determined
3 without regard to section 38(c)), exceeds

4 “(B) the amount allowable as a deduction
5 for the taxable year for expenses for energy
6 property (determined without regard to para-
7 graph (1)),

8 the amount chargeable to capital account for the
9 taxable year for such expenses shall be reduced by
10 the amount of such excess.

11 “(3) CONTROLLED GROUPS.—Paragraph (3) of
12 subsection (b) shall apply for purposes of this sub-
13 section.”

14 (4) Section 29(b)(3)(A)(i)(III) is amended by
15 striking “section 48(a)(4)(C)” and inserting “section
16 48A(f)(1)(C)”.

17 (5) Section 50(a)(2)(E) is amended by striking
18 “section 48(a)(5)” and inserting “section
19 48A(f)(2)”.

20 (6) Section 168(e)(3)(B) is amended—

21 (A) by striking clause (vi)(I) and inserting
22 the following:

23 “(I) is described in paragraph (1)
24 or (2) of section 48A(d) (or would be
25 so described if ‘solar and wind’ were

1 substituted for ‘solar’ in paragraph
 2 (1)(B)),”, and
 3 (B) in the last sentence by striking “sec-
 4 tion 48(a)(3)” and inserting “section
 5 48A(c)(2)(A)”.

6 (c) CLERICAL AMENDMENT.—The table of sections
 7 for subpart E of part IV of subchapter A of chapter 1
 8 is amended by striking the item relating to section 48 and
 9 inserting the following:

“Sec. 48. Reforestation credit.
 “Sec. 48A. Energy credit.”

10 (e) EFFECTIVE DATE.—The amendments made by
 11 this section shall apply to property placed in service after
 12 December 31, 1999, under rules similar to the rules of
 13 section 48(m) of the Internal Revenue Code of 1986 (as
 14 in effect on the day before the date of the enactment of
 15 the Revenue Reconciliation Act of 1990).

16 **TITLE II—NONBUSINESS** 17 **ENERGY SYSTEMS**

18 **SEC. 201. CREDIT FOR CERTAIN NONBUSINESS ENERGY**
 19 **SYSTEMS.**

20 (a) IN GENERAL.—Subpart A of part IV of sub-
 21 chapter A of chapter 1 (relating to nonrefundable personal
 22 credits) is amended by inserting after section 25A the fol-
 23 lowing:

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

2 “(a) ALLOWANCE OF CREDIT.—

3 “(1) IN GENERAL.—In the case of an indi-
 4 vidual, there shall be allowed as a credit against the
 5 tax imposed by this chapter for the taxable year an
 6 amount equal to the sum of—

7 “(A) the applicable percentage of residen-
 8 tial energy property expenditures made by the
 9 taxpayer during such year,

10 “(B) the credit amount (determined under
 11 section 48A(e)) for each vehicle purchased dur-
 12 ing the taxable year which is a qualified hybrid
 13 vehicle (as defined in section 48A(e)(2)), and

14 “(C) the credit amount specified in the fol-
 15 lowing table for a new, highly energy-efficient
 16 principal residence:

“Column A—Description	Column B—Credit Amount	Column C—Period	
In the case of:	The credit amount is:	For the period:	
		Beginning on:	Ending on:
30 percent property	\$1,000	1/1/2000	12/31/2001
40 percent property	\$1,500	1/1/2000	12/31/2002
50 percent property	\$2,000	1/1/2000	12/31/2003.

17 In the case of any new, highly energy-efficient prin-
 18 cipal residence, the credit amount shall be zero for
 19 any period for which a credit amount is not specified
 20 for such property in the table under subparagraph
 21 (C).

22 “(2) APPLICABLE PERCENTAGE.—

1 “(A) IN GENERAL.—The applicable per-
 2 centage shall be determined in accordance with
 3 the following table:

“Column A—Description	Column B— Appli- cable Percentage	Column C—Period	
In the case of:	The applicable per- centage is:	For the period:	
		Beginning on:	Ending on:
20 percent energy-efficient building property	20 percent	1/1/2000	12/31/2003
10 percent energy-efficient building property	10 percent	1/1/2000	12/31/2001
Solar water heating property	15 percent	1/1/2000	12/31/2006
Photovoltaic property	15 percent	1/1/2000	12/31/2006.

4 “(B) PERIODS FOR WHICH PERCENTAGE
 5 NOT SPECIFIED.—In the case of any residential
 6 energy property, the applicable percentage shall
 7 be zero for any period for which an applicable
 8 percentage is not specified for such property
 9 under subparagraph (A).

10 “(b) MAXIMUM CREDIT.—

11 “(1) IN GENERAL.—In the case of property de-
 12 scribed in the following table, the amount of the
 13 credit allowed under subsection (a)(1)(A) for the
 14 taxable year for each item of such property with re-
 15 spect to a dwelling unit shall not exceed the amount
 16 specified for such property in such table:

“Description of property item:	Maximum allowable credit amount is:
20 percent energy-efficient building property (other than a fuel cell or natural gas heat pump).	\$500.
20 percent energy-efficient building property:	
fuel cell described in section 48A(d)(3)(A)(i)	\$500 per each kw/hr of capacity.
natural gas heat pump described in section 48A(d)(3)(D)(iv).	\$1,000.
10 percent energy-efficient building property	\$250.

“Description of property item:	Maximum allowable credit amount is:
Solar water heating property	\$1,000.
Photovoltaic property	\$2,000.

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

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

9 “(1) RESIDENTIAL ENERGY PROPERTY EX-
 10 PENDITURES.—The term ‘residential energy prop-
 11 erty expenditures’ means expenditures made by the
 12 taxpayer for qualified energy property installed on or
 13 in connection with a dwelling unit which—

14 “(A) is located in the United States, and

15 “(B) is used by the taxpayer as a resi-
 16 dence.

17 Such term includes expenditures for labor costs
 18 properly allocable to the onsite preparation, assem-
 19 bly, or original installation of the property.

20 “(2) QUALIFIED ENERGY PROPERTY.—

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

23 “(i) energy-efficient building property,

1 “(ii) solar water heating property, and

2 “(iii) photovoltaic property.

3 “(B) SWIMMING POOL, ETC., USED AS
4 STORAGE MEDIUM; SOLAR PANELS.—For pur-
5 poses of this paragraph, the provisions of sub-
6 paragraphs (B) and (C) of section 48A(d)(1)
7 shall apply.

8 “(3) ENERGY-EFFICIENT BUILDING PROP-
9 erty.—The term ‘energy-efficient building property’
10 has the meaning given to such term by section
11 48A(e)(3).

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

17 “(5) PHOTOVOLTAIC PROPERTY.—The term
18 ‘photovoltaic property’ means property which, when
19 installed in connection with a structure, uses a solar
20 photovoltaic process to generate electricity for use in
21 such structure.

22 “(6) NEW, HIGHLY ENERGY-EFFICIENT PRIN-
23 CIPAL RESIDENCE.—

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

1 “(i) such property is located in the
2 United States,

3 “(ii) the original use of such property
4 commences with the taxpayer and is, at
5 the time of such use, the principal resi-
6 dence of the taxpayer, and

7 “(iii) such property is certified before
8 such use commences as being 50 percent
9 property, 40 percent property, or 30 per-
10 cent property.

11 “(B) 50, 40, OR 30 PERCENT PROPERTY.—

12 “(i) IN GENERAL.—For purposes of
13 subparagraph (A), property is 50 percent
14 property, 40 percent property, or 30 per-
15 cent property if the projected energy usage
16 of such property is reduced by 50 percent,
17 40 percent, or 30 percent, respectively,
18 compared to the energy usage of a ref-
19 erence house that complies with minimum
20 standard practice, such as the 1998 Inter-
21 national Energy Conservation Code of the
22 International Code Council, as determined
23 according to the requirements specified in
24 clause (ii).

25 “(ii) PROCEDURES.—

1 “(I) IN GENERAL.—For purposes
2 of clause (i), energy usage shall be
3 demonstrated either by a component-
4 based approach or a performance-
5 based approach.

6 “(II) COMPONENT APPROACH.—
7 Compliance by the component ap-
8 proach is achieved when all of the
9 components of the house comply with
10 the requirements of prescriptive pack-
11 ages established by the Secretary of
12 Energy, in consultation with the Ad-
13 ministrator of the Environmental Pro-
14 tection Agency, such that they are
15 equivalent to the results of using the
16 performance-based approach of sub-
17 clause (III) to achieve the required re-
18 duction in energy usage.

19 “(III) PERFORMANCE-BASED AP-
20 PROACH.—Performance-based compli-
21 ance shall be demonstrated in terms
22 of the required percentage reductions
23 in projected energy use. Computer
24 software used in support of perform-
25 ance-based compliance must meet all

1 of the procedures and methods for
2 calculating energy savings reductions
3 that are promulgated by the Secretary
4 of Energy. Such regulations on the
5 specifications for software shall be
6 based in the 1998 California Residen-
7 tial Alternative Calculation Method
8 Approval Manual, except that the cal-
9 culation procedures shall be developed
10 such that the same energy efficiency
11 measures qualify a home for tax cred-
12 its regardless of whether the home
13 uses a gas or oil furnace or boiler, or
14 an electric heat pump.

15 “(IV) APPROVAL OF SOFTWARE
16 SUBMISSIONS.—The Secretary of En-
17 ergy shall approve software submis-
18 sions that comply with the calculation
19 requirements of subclause (III).

20 “(C) DETERMINATIONS OF COMPLIANCE.—
21 A determination of compliance made for the
22 purposes of this paragraph shall be filed with
23 the Secretary of Energy within 1 year of the
24 date of such determination and shall include the
25 TIN of the certifier, the address of the building

1 in compliance, and the identity of the person
2 for whom such determination was performed.
3 Determinations of compliance filed with the
4 Secretary of Energy shall be available for in-
5 spection by the Secretary.

6 “(D) COMPLIANCE.—

7 “(i) IN GENERAL.—The Secretary of
8 Energy in consultation with the Secretary
9 of the Treasury shall establish require-
10 ments for certification and compliance pro-
11 cedures after examining the requirements
12 for energy consultants and home energy
13 ratings providers specified by the Mortgage
14 Industry National Accreditation Proce-
15 dures for Home Energy Rating Systems.

16 “(ii) INDIVIDUALS QUALIFIED TO DE-
17 TERMINE COMPLIANCE.—Individuals quali-
18 fied to determine compliance shall be only
19 those individuals who are recognized by an
20 organization certified by the Secretary of
21 Energy for such purposes.

22 “(E) PRINCIPAL RESIDENCE.—The term
23 ‘principal residence’ has the same meaning as
24 when used in section 121, except that the pe-
25 riod for which a building is treated as the prin-

1 ciplal residence of the taxpayer shall also include
2 the 60-day period ending on the 1st day on
3 which it would (but for this subparagraph) first
4 be treated as the taxpayer’s principal residence.

5 “(d) SPECIAL RULES.—For purposes of this
6 section—

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

12 “(A) The amount of the credit allowable
13 under subsection (a) by reason of expenditures
14 made during such calendar year by any of such
15 individuals with respect to such dwelling unit
16 shall be determined by treating all of such indi-
17 viduals as 1 taxpayer whose taxable year is
18 such calendar year.

19 “(B) There shall be allowable with respect
20 to such expenditures to each of such individ-
21 uals, a credit under subsection (a) for the tax-
22 able year in which such calendar year ends in
23 an amount which bears the same ratio to the
24 amount determined under subparagraph (A) as
25 the amount of such expenditures made by such

1 individual during such calendar year bears to
2 the aggregate of such expenditures made by all
3 of such individuals during such calendar year.

4 “(2) TENANT-STOCKHOLDER IN COOPERATIVE
5 HOUSING CORPORATION.—In the case of an indi-
6 vidual who is a tenant-stockholder (as defined in sec-
7 tion 216) in a cooperative housing corporation (as
8 defined in such section), such individual shall be
9 treated as having made his tenant-stockholder’s pro-
10 portionate share (as defined in section 216(b)(3)) of
11 any expenditures of such corporation.

12 “(3) CONDOMINIUMS.—

13 “(A) IN GENERAL.—In the case of an indi-
14 vidual who is a member of a condominium man-
15 agement association with respect to a condo-
16 minium which the individual owns, such indi-
17 vidual shall be treated as having made his pro-
18 portionate share of any expenditures of such as-
19 sociation.

20 “(B) CONDOMINIUM MANAGEMENT ASSO-
21 CIATION.—For purposes of this paragraph, the
22 term ‘condominium management association’
23 means an organization which meets the require-
24 ments of paragraph (1) of section 528(c) (other
25 than subparagraph (E) thereof) with respect to

1 a condominium project substantially all of the
2 units of which are used as residences.

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

4 “(A) IN GENERAL.—Any expenditure oth-
5 erwise qualifying as a residential energy prop-
6 erty expenditure shall not be treated as failing
7 to so qualify merely because such expenditure
8 was made with respect to 2 or more dwelling
9 units.

10 “(B) LIMITS APPLIED SEPARATELY.—In
11 the case of any expenditure described in sub-
12 paragraph (A), the amount of the credit allow-
13 able under subsection (a) shall (subject to para-
14 graph (1)) be computed separately with respect
15 to the amount of the expenditure made for each
16 dwelling unit.

17 “(5) ALLOCATION IN CERTAIN CASES.—

18 “(A) IN GENERAL.—Except as provided in
19 subparagraph (B), if less than 80 percent of
20 the use of an item is for nonbusiness purposes,
21 only that portion of the expenditures for such
22 item which is properly allocable to use for non-
23 business purposes shall be taken into account.
24 For purposes of this paragraph, use for a swim-

1 ming pool shall be treated as use which is not
2 for nonbusiness purposes.

3 “(B) SPECIAL RULE FOR VEHICLES.—For
4 purposes of this section and section 48A, a ve-
5 hicle shall be treated as used entirely for busi-
6 ness or nonbusiness purposes if the majority of
7 the use of such vehicle is for business or non-
8 business purposes, as the case may be.

9 “(6) DOUBLE BENEFIT; PROPERTY USED OUT-
10 SIDE UNITED STATES, ETC., NOT QUALIFIED.—No
11 credit shall be allowed under subsection (a)(1)(B)
12 with respect to—

13 “(A) any property for which a credit is al-
14 lowed under section 30 or 48A,

15 “(B) any property referred to in section
16 50(b), and

17 “(C) the portion of the cost of any prop-
18 erty taken into account under section 179 or
19 179A.

20 “(7) WHEN EXPENDITURE MADE; AMOUNT OF
21 EXPENDITURE.—

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

1 “(B) EXPENDITURES PART OF BUILDING
2 CONSTRUCTION.—In the case of an expenditure
3 in connection with the construction of a struc-
4 ture, such expenditure shall be treated as made
5 when the original use of the constructed struc-
6 ture by the taxpayer begins.

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

9 “(8) PROPERTY FINANCED BY SUBSIDIZED EN-
10 ERGY FINANCING.—

11 “(A) REDUCTION OF EXPENDITURES.—
12 For purposes of determining the amount of res-
13 idential energy property expenditures made by
14 any individual with respect to any dwelling unit,
15 there shall not be taken in to account expendi-
16 tures which are made from subsidized energy fi-
17 nancing (as defined in section 48A(f)(1)(C)).

18 “(B) DOLLAR LIMITS REDUCED.—The dol-
19 lar amounts in the table contained in subsection
20 (b)(1) with respect to each property purchased
21 for such dwelling unit for any taxable year of
22 such taxpayer shall be reduced proportionately
23 by an amount equal to the sum of—

24 “(i) the amount of the expenditures
25 made by the taxpayer during such taxable

1 year with respect to such dwelling unit and
2 not taken into account by reason of sub-
3 paragraph (A), and

4 “(ii) the amount of any Federal,
5 State, or local grant received by the tax-
6 payer during such taxable year which is
7 used to make residential energy property
8 expenditures with respect to the dwelling
9 unit and is not included in the gross in-
10 come of such taxpayer.

11 “(9) SAFETY CERTIFICATIONS.—No credit shall
12 be allowed under this section for an item of property
13 unless—

14 “(A) in the case of solar water heating
15 property, such property is certified for perform-
16 ance and safety by the non-profit Solar Rating
17 Certification Corporation or a comparable enti-
18 ty endorsed by the government of the State in
19 which such property is installed, and

20 “(B) in the case of photovoltaic property,
21 such property meets appropriate fire and elec-
22 tric code requirements.

23 “(e) BASIS ADJUSTMENTS.—For purposes of this
24 subtitle, if a credit is allowed under this section for any
25 expenditure with respect to any property, the increase in

1 the basis of such property which would (but for this sub-
 2 section) result from such expenditure shall be reduced by
 3 the amount of the credit so allowed.”

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 1016(a) is amended by striking
 6 “and” at the end of paragraph (26), by striking the
 7 period at the end of paragraph (27) and inserting “;
 8 and”, and by adding at the end the following:

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

12 (2) The table of sections for subpart A of part
 13 IV of subchapter A of chapter 1 is amended by in-
 14 serting after the item relating to section 25A the fol-
 15 lowing:

“Sec. 25B. Nonbusiness energy property.”

16 (c) EFFECTIVE DATE.—The amendments made by
 17 this section shall apply to expenditures after December 31,
 18 1999.

19 **TITLE III—ALTERNATIVE FUELS**

20 **SEC. 301. ALLOCATION OF ALCOHOL FUELS CREDIT TO PA-** 21 **TRONS OF A COOPERATIVE.**

22 (a) IN GENERAL.—Section 40(d) (relating to alcohol
 23 used as fuel) is amended by adding at the end the fol-
 24 lowing:

1 “(6) ALLOCATION OF SMALL ETHANOL PRO-
2 DUCER CREDIT TO PATRONS OF COOPERATIVE.—

3 “(A) IN GENERAL.—In the case of a coop-
4 erative organization described in section
5 1381(a), any portion of the credit determined
6 under subsection (a)(3) for the taxable year
7 may, at the election of the organization made
8 on a timely filed return (including extensions)
9 for such year, be apportioned pro rata among
10 patrons of the organization on the basis of the
11 quantity or value of business done with or for
12 such patrons for the taxable year. Such an elec-
13 tion, once made, shall be irrevocable for such
14 taxable year.

15 “(B) TREATMENT OF ORGANIZATIONS AND
16 PATRONS.—The amount of the credit appor-
17 tioned to patrons pursuant to subparagraph
18 (A)—

19 “(i) shall not be included in the
20 amount determined under subsection (a)
21 for the taxable year of the organization,
22 and

23 “(ii) shall be included in the amount
24 determined under subsection (a) for the
25 taxable year of each patron in which the

1 patronage dividend for the taxable year re-
2 ferred to in subparagraph (A) is includible
3 in gross income.

4 “(C) SPECIAL RULE FOR DECREASING
5 CREDIT FOR TAXABLE YEAR.—If the amount of
6 the credit of a cooperative organization deter-
7 mined under subsection (a)(3) for a taxable
8 year is less than the amount of such credit
9 shown on the cooperative organization’s return
10 for such year, an amount equal to the excess of
11 such reduction over the amount not apportioned
12 to the patrons under subparagraph (A) for the
13 taxable year shall be treated as an increase in
14 tax imposed by this chapter on the organiza-
15 tion. Any such increase shall not be treated as
16 tax imposed by this chapter for purposes of de-
17 termining the amount of any credit under this
18 subpart or subpart A, B, E, or G of this part.”

19 (b) TECHNICAL AMENDMENT.—Section 1388 (relat-
20 ing to definitions and special rules for cooperative organi-
21 zations) is amended by adding at the end the following:

1 “(k) CROSS REFERENCE.—

**“For provisions relating to the apportionment of
the alcohol fuels credit between cooperative organi-
zations and their patrons, see section 40(d)(6).”**

2 (c) EFFECTIVE DATE.—The amendments made by
3 this section shall apply to taxable years beginning after
4 December 31, 1999.

5 **TITLE IV—AUTOMOBILES**

6 **SEC. 401. EXTENSION OF CREDIT FOR QUALIFIED ELEC- 7 **TRIC VEHICLES.****

8 (a) EXTENSION OF CREDIT FOR QUALIFIED ELEC-
9 TRIC VEHICLES.—Subsection (f) of section 30 (relating to
10 termination) is amended by striking “December 31, 2004”
11 and inserting “December 31, 2006”.

12 (b) REPEAL OF PHASEOUT.—Subsection (b) of sec-
13 tion 30 (relating to limitations) is amended by striking
14 paragraph (2) and redesignating paragraph (3) as para-
15 graph (2).

16 (c) NO DOUBLE BENEFIT.—

17 (1) Subsection (d) of section 30 (relating to
18 special rules) is amended by adding at the end the
19 following:

20 “(5) NO DOUBLE BENEFIT.—No credit shall be
21 allowed under subsection (a) with respect to any ve-
22 hicle if the taxpayer claims a credit for such vehicle
23 under section 25B(a)(1)(B) or 48A(a)(2).”

1 (2) Paragraph (3) of section 30(d) (relating to
2 property used outside United States, etc., not quali-
3 fied) is amended by striking “section 50(b)” and in-
4 serting “section 25B, 48A, or 50(b)”.

5 (3) Paragraph (5) of section 179A(e) (relating
6 to property used outside United States, etc., not
7 qualified) is amended by striking “section 50(b)”
8 and inserting “section 25B, 48A, or 50(b)”.

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

12 **TITLE V—CLEAN COAL** 13 **TECHNOLOGIES**

14 **SEC. 501. CREDIT FOR INVESTMENT IN QUALIFYING CLEAN** 15 **COAL TECHNOLOGY.**

16 (a) ALLOWANCE OF QUALIFYING CLEAN COAL
17 TECHNOLOGY FACILITY CREDIT.—Section 46 (relating to
18 amount of credit) is amended by striking “and” at the
19 end of paragraph (2), by striking the period at the end
20 of paragraph (3) and inserting “, and”, and by adding
21 at the end the following:

22 “(4) the qualifying clean coal technology facility
23 credit.”

24 (b) AMOUNT OF QUALIFYING CLEAN COAL TECH-
25 NOLOGY FACILITY CREDIT.—Subpart E of part IV of sub-

1 chapter A of chapter 1 (relating to rules for computing
2 investment credit), as amended by section 101(a), is
3 amended by inserting after section 48A the following:

4 **“SEC. 48B. QUALIFYING CLEAN COAL TECHNOLOGY FACIL-**
5 **ITY CREDIT.**

6 “(a) IN GENERAL.—For purposes of section 46, the
7 qualifying clean coal technology facility credit for any tax-
8 able year is an amount equal to 10 percent of the qualified
9 investment in a qualifying clean coal technology facility
10 for such taxable year.

11 “(b) QUALIFYING CLEAN COAL TECHNOLOGY FACIL-
12 ITY.—

13 “(1) IN GENERAL.—For purposes of subsection
14 (a), the term ‘qualifying clean coal technology facil-
15 ity’ means a facility of the taxpayer—

16 “(A)(i)(I) which replaces a conventional
17 technology facility of the taxpayer and the origi-
18 nal use of which commences with the taxpayer,
19 or

20 “(II) which is a retrofitted or repowered
21 conventional technology facility, the retrofitting
22 or repowering of which is completed by the tax-
23 payer (but only with respect to that portion of
24 the basis which is properly attributable to such
25 retrofitting or repowering), or

1 “(ii) that is acquired through purchase (as
2 defined by section 179(d)(2)),

3 “(B) that is depreciable under section 167,

4 “(C) that has a useful life of not less than
5 4 years,

6 “(D) that is located in the United States,
7 and

8 “(E) that uses qualifying clean coal tech-
9 nology.

10 “(2) SPECIAL RULE FOR SALE-LEASEBACKS.—

11 For purposes of subparagraph (A) of paragraph (1),
12 in the case of a facility that—

13 “(A) is originally placed in service by a
14 person, and

15 “(B) is sold and leased back by such per-
16 son, or is leased to such person, within 3
17 months after the date such facility was origi-
18 nally placed in service, for a period of not less
19 than 12 years,

20 such facility shall be treated as originally placed in
21 service not earlier than the date on which such prop-
22 erty is used under the leaseback (or lease) referred
23 to in subparagraph (B). The preceding sentence
24 shall not apply to any property if the lessee and les-
25 sor of such property make an election under this

1 sentence. Such an election, once made, may be re-
2 voked only with the consent of the Secretary.

3 “(3) QUALIFYING CLEAN COAL TECHNOLOGY.—

4 For purposes of paragraph (1)(A)—

5 “(A) IN GENERAL.—The term ‘qualifying
6 clean coal technology’ means, with respect to
7 clean coal technology—

8 “(i) applications totaling 1,000
9 megawatts of advanced pulverized coal or
10 atmospheric fluidized bed combustion tech-
11 nology installed as a new, retrofit, or
12 repowering application and operated be-
13 tween 2000 and 2014 that has a design
14 average net heat rate of not more than
15 8,750 Btu’s per kilowatt hour,

16 “(ii) applications totaling 1,500
17 megawatts of pressurized fluidized bed
18 combustion technology installed as a new,
19 retrofit, or repowering application and op-
20 erated between 2000 and 2014 that has a
21 design average net heat rate of not more
22 than 8,400 Btu’s per kilowatt hour,

23 “(iii) applications totaling 1,500
24 megawatts of integrated gasification com-
25 bined cycle technology installed as a new,

1 retrofit, or repowering application and op-
2 erated between 2000 and 2014 that has a
3 design average net heat rate of not more
4 than 8,550 Btu's per kilowatt hour, and

5 “(iv) applications totaling 2,000
6 megawatts or equivalent of technology for
7 the production of electricity installed as a
8 new, retrofit, or repowering application
9 and operated between 2000 and 2014 that
10 has a carbon emission rate that is not
11 more than 85 percent of conventional tech-
12 nology.

13 “(B) EXCEPTIONS.—Such term shall not
14 include clean coal technology projects receiving
15 or scheduled to receive funding under the Clean
16 Coal Technology Program of the Department of
17 Energy.

18 “(C) CLEAN COAL TECHNOLOGY.—The
19 term ‘clean coal technology’ means advanced
20 technology that utilizes coal to produce 50 per-
21 cent or more of its thermal output as electricity
22 including advanced pulverized coal or atmos-
23 pheric fluidized bed combustion, pressurized flu-
24 idized bed combustion, integrated gasification
25 combined cycle, and any other technology for

1 the production of electricity that exceeds the
2 performance of conventional technology.

3 “(D) CONVENTIONAL COAL TECH-
4 NOLOGY.—The term ‘conventional technology’
5 means—

6 “(i) coal-fired combustion technology
7 with a design average net heat rate of not
8 less than 9,300 Btu’s per kilowatt hour
9 (HHV) and a carbon equivalents emission
10 rate of not more than 0.53 pounds of car-
11 bon per kilowatt hour; or

12 “(ii) natural gas-fired combustion
13 technology with a design average net heat
14 rate of not less than 7,500 Btu’s per kilo-
15 watt hour (HHV) and a carbon equivalents
16 emission rate of not more than 0.24 pound
17 of carbon per kilowatt hour.

18 “(E) DESIGN AVERAGE NET HEAT RATE.—
19 The term ‘design average net heat rate’ shall be
20 based on the design average annual heat input
21 to and the design average annual net electrical
22 output from the qualifying clean coal technology
23 (determined without regard to such technology’s
24 co-generation of steam).

1 “(F) SELECTION CRITERIA.—Selection cri-
2 teria for clean coal technology facilities—

3 “(i) shall be established by the Sec-
4 retary of Energy as part of a competitive
5 solicitation,

6 “(ii) shall include primary criteria of
7 minimum design average net heat rate,
8 maximum design average thermal effi-
9 ciency, and lowest cost to the government,
10 and

11 “(iii) shall include supplemental cri-
12 teria as determined appropriate by the
13 Secretary of Energy.

14 “(c) QUALIFIED INVESTMENT.—For purposes of sub-
15 section (a), the term ‘qualified investment’ means, with
16 respect to any taxable year, the basis of a qualifying clean
17 coal technology facility placed in service by the taxpayer
18 during such taxable year.

19 “(d) QUALIFIED PROGRESS EXPENDITURES.—

20 “(1) INCREASE IN QUALIFIED INVESTMENT.—

21 In the case of a taxpayer who has made an election
22 under paragraph (5), the amount of the qualified in-
23 vestment of such taxpayer for the taxable year (de-
24 termined under subsection (c) without regard to this
25 section) shall be increased by an amount equal to

1 the aggregate of each qualified progress expenditure
2 for the taxable year with respect to progress expend-
3 iture property.

4 “(2) PROGRESS EXPENDITURE PROPERTY DE-
5 FINED.—For purposes of this subsection, the term
6 ‘progress expenditure property’ means any property
7 being constructed by or for the taxpayer and which
8 it is reasonable to believe will qualify as a qualifying
9 clean coal technology facility which is being con-
10 structed by or for the taxpayer when it is placed in
11 service.

12 “(3) QUALIFIED PROGRESS EXPENDITURES DE-
13 FINED.—For purposes of this subsection—

14 “(A) SELF-CONSTRUCTED PROPERTY.—In
15 the case of any self-constructed property, the
16 term ‘qualified progress expenditures’ means
17 the amount which, for purposes of this subpart,
18 is properly chargeable (during such taxable
19 year) to capital account with respect to such
20 property.

21 “(B) NON-SELF-CONSTRUCTED PROP-
22 ERTY.—In the case of non-self-constructed
23 property, the term ‘qualified progress expendi-
24 tures’ means the amount paid during the tax-

1 able year to another person for the construction
2 of such property.

3 “(4) OTHER DEFINITIONS.—For purposes of
4 this subsection—

5 “(A) SELF-CONSTRUCTED PROPERTY.—
6 The term ‘self-constructed property’ means
7 property for which it is reasonable to believe
8 that more than half of the construction expendi-
9 tures will be made directly by the taxpayer.

10 “(B) NON-SELF-CONSTRUCTED PROP-
11 PERTY.—The term ‘non-self-constructed prop-
12 erty’ means property which is not self-con-
13 structed property.

14 “(C) CONSTRUCTION, ETC.—The term
15 ‘construction’ includes reconstruction and erec-
16 tion, and the term ‘constructed’ includes recon-
17 structed and erected.

18 “(D) ONLY CONSTRUCTION OF QUALI-
19 FYING CLEAN COAL TECHNOLOGY FACILITY TO
20 BE TAKEN INTO ACCOUNT.—Construction shall
21 be taken into account only if, for purposes of
22 this subpart, expenditures therefor are properly
23 chargeable to capital account with respect to
24 the property.

1 “(5) ELECTION.—An election under this sub-
2 section may be made at such time and in such man-
3 ner as the Secretary may by regulations prescribe.
4 Such an election shall apply to the taxable year for
5 which made and to all subsequent taxable years.
6 Such an election, once made, may not be revoked ex-
7 cept with the consent of the Secretary.

8 “(e) COORDINATION WITH OTHER CREDITS.—This
9 section shall not apply to any property with respect to
10 which the rehabilitation credit under section 47 or the en-
11 ergy credit under section 48A is allowed unless the tax-
12 payer elects to waive the application of such credit to such
13 property.

14 “(f) TERMINATION.—This section shall not apply
15 with respect to any qualified investment after December
16 31, 2014.”

17 (c) RECAPTURE.—Section 50(a) (relating to other
18 special rules) is amended by adding at the end the fol-
19 lowing:

20 “(6) SPECIAL RULES RELATING TO QUALIFYING
21 CLEAN COAL TECHNOLOGY FACILITY.—For purposes
22 of applying this subsection in the case of any credit
23 allowable by reason of section 48B, the following
24 shall apply:

1 “(A) GENERAL RULE.—In lieu of the
2 amount of the increase in tax under paragraph
3 (1), the increase in tax shall be an amount
4 equal to the investment tax credit allowed under
5 section 38 for all prior taxable years with re-
6 spect to a qualifying clean coal technology facil-
7 ity (as defined by section 48B(b)(1)) multiplied
8 by a fraction whose numerator is the number of
9 years remaining to fully depreciate under this
10 title the qualifying clean coal technology facility
11 disposed of, and whose denominator is the total
12 number of years over which such facility would
13 otherwise have been subject to depreciation. For
14 purposes of the preceding sentence, the year of
15 disposition of the qualifying clean coal tech-
16 nology facility property shall be treated as a
17 year of remaining depreciation.

18 “(B) PROPERTY CEASES TO QUALIFY FOR
19 PROGRESS EXPENDITURES.—Rules similar to
20 the rules of paragraph (2) shall apply in the
21 case of qualified progress expenditures for a
22 qualifying clean coal technology facility under
23 section 48B, except that the amount of the in-
24 crease in tax under subparagraph (A) of this

1 paragraph shall be substituted in lieu of the
2 amount described in such paragraph (2).

3 “(C) APPLICATION OF PARAGRAPH.—This
4 paragraph shall be applied separately with re-
5 spect to the credit allowed under section 38 re-
6 garding a qualifying clean coal technology facil-
7 ity.”

8 (d) TRANSITIONAL RULE.—Section 39(d) of the In-
9 ternal Revenue Code of 1986 (relating to transitional
10 rules), as amended by section 101(b)(2), is amended by
11 adding at the end the following:

12 “(10) NO CARRYBACK OF SECTION 48B CREDIT
13 BEFORE EFFECTIVE DATE.—No portion of the un-
14 used business credit for any taxable year which is
15 attributable to the qualifying clean coal technology
16 facility credit determined under section 48B may be
17 carried back to a taxable year ending before the date
18 of the enactment of section 48B.”

19 (e) TECHNICAL AMENDMENTS.—

20 (1) Section 49(a)(1)(C) is amended by striking
21 “and” at the end of clause (ii), by striking the pe-
22 riod at the end of clause (iii) and inserting “, and”,
23 and by adding at the end the following:

24 “(iv) the portion of the basis of any
25 qualifying clean coal technology facility at-

1 tributable to any qualified investment (as
2 defined by section 48B(c)).”

3 (2) Section 50(a)(4) is amended by striking
4 “and (2)” and inserting “, (2), and (6)”.

5 (3) The table of sections for subpart E of part
6 IV of subchapter A of chapter 1, as amended by sec-
7 tion 101(d), is amended by inserting after the item
8 relating to section 48A the following:

 “Sec. 48B. Qualifying clean coal technology facility credit.”

9 (f) EFFECTIVE DATE.—The amendments made by
10 this section shall apply to periods after December 31,
11 1999, under rules similar to the rules of section 48(m)
12 of the Internal Revenue Code of 1986 (as in effect on the
13 day before the date of the enactment of the Revenue Rec-
14 onciliation Act of 1990).

15 **SEC. 502. CREDIT FOR PRODUCTION FROM QUALIFYING**
16 **CLEAN COAL TECHNOLOGY.**

17 (a) CREDIT FOR PRODUCTION FROM QUALIFYING
18 CLEAN COAL TECHNOLOGY.—Subpart D of part IV of
19 subchapter A of chapter 1 (relating to business related
20 credits) is amended by adding at the end the following:

21 **“SEC. 45D. CREDIT FOR PRODUCTION FROM QUALIFYING**
22 **CLEAN COAL TECHNOLOGY.**

23 “(a) GENERAL RULE.—For purposes of section 38,
24 the qualifying clean coal technology production credit of

1 any taxpayer for any taxable year is equal to the applica-
 2 ble amount for each kilowatt hour—

3 “(1) produced by the taxpayer at a qualifying
 4 clean coal technology facility during the 10-year pe-
 5 riod beginning on the date the facility was originally
 6 placed in service, and

7 “(2) sold by the taxpayer to an unrelated per-
 8 son during such taxable year.

9 “(b) APPLICABLE AMOUNT.—For purposes of this
 10 section, the applicable amount with respect to production
 11 from a qualifying clean coal technology facility shall be
 12 determined as follows:

13 “(1) In the case of a facility originally placed
 14 in service before 2007, if—

“The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 8400	\$.0130	\$.0110
More than 8400 but not more than 8550	\$.0100	\$.0085
More than 8550 but not more than 8750	\$.0090	\$.0070.

15 “(2) In the case of a facility originally placed
 16 in service after 2006 and before 2011, if—

“The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7770	\$.0100	\$.0080
More than 7770 but not more than 8125	\$.0080	\$.0065
More than 8125 but not more than 8350	\$.0070	\$.0055.

17 “(3) In the case of a facility originally placed
 18 in service after 2010 and before 2015, if—

“The facility design average net heat rate, Btu/kWh (HHV) is equal to:	The applicable amount is:	
	For 1st 5 years of such service	For 2d 5 years of such service
Not more than 7720	\$.0085	\$.0070
More than 7720 but not more than 7380	\$.0070	\$.0045.

1 “(c) INFLATION ADJUSTMENT FACTOR.—Each
2 amount in paragraphs (1), (2), and (3) shall each be ad-
3 justed by multiplying such amount by the inflation adjust-
4 ment factor for the calendar year in which the amount
5 is applied. If any amount as increased under the preceding
6 sentence is not a multiple of 0.01 cent, such amount shall
7 be rounded to the nearest multiple of 0.01 cent.

8 “(d) DEFINITIONS AND SPECIAL RULES.—For pur-
9 poses of this section—

10 “(1) any term used in this section which is also
11 used in section 48B shall have the meaning given
12 such term in section 48B,

13 “(2) the rules of paragraphs (3), (4), and (5)
14 of section 45 shall apply,

15 “(3) the term ‘inflation adjustment factor’
16 means, with respect to a calendar year, a fraction
17 the numerator of which is the GDP implicit price
18 deflator for the preceding calendar year and the de-
19 nominator of which is the GDP implicit price
20 deflator for the calendar year 1998, and

21 “(4) the term ‘GDP implicit price deflator’
22 means the most recent revision of the implicit price

1 deflator for the gross domestic product as computed
2 by the Department of Commerce before March 15 of
3 the calendar year.”

4 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
5 tion 38(b) is amended by striking “plus” at the end of
6 paragraph (11), by striking the period at the end of para-
7 graph (12) and inserting “, plus”, and by adding at the
8 end the following:

9 “(13) the qualifying clean coal technology pro-
10 duction credit determined under section 45D(a).”

11 (c) TRANSITIONAL RULE.—Section 39(d) (relating to
12 transitional rules), as amended by section 501(d), is
13 amended by adding at the end the following:

14 “(11) NO CARRYBACK OF CERTAIN CREDITS
15 BEFORE EFFECTIVE DATE.—No portion of the un-
16 used business credit for any taxable year which is
17 attributable to the credits allowable under any sec-
18 tion added to this subpart by the amendments made
19 by the Energy Security Tax Act of 1999 may be car-
20 ried back to a taxable year ending before the date
21 of the enactment of such Act.”

22 (d) CLERICAL AMENDMENT.—The table of sections
23 for subpart D of part IV of subchapter A of chapter 1
24 is amended by adding at the end the following:

“Sec. 45D. Credit for production from qualifying clean coal tech-
nology.”

1 (e) EFFECTIVE DATE.—The amendments made by
 2 this section shall apply to production after the date of the
 3 enactment of this Act.

4 **SEC. 503. RISK POOL FOR QUALIFYING CLEAN COAL TECH-**
 5 **NOLOGY.**

6 (a) ESTABLISHMENT.—The Secretary of the Treas-
 7 ury shall establish a financial risk pool which shall be
 8 available to any United States owner of qualifying clean
 9 coal technology (as defined in section 48B(b)(3) of the In-
 10 ternal Revenue Code of 1986) to offset for the first 3 three
 11 years of the operation of such technology the costs (not
 12 to exceed 5 percent of the total cost of installation) for
 13 modifications resulting from the technology’s failure to
 14 achieve its design performance.

15 (b) AUTHORIZATION OF APPROPRIATIONS.—There is
 16 authorized to be appropriated such sums as are necessary
 17 to carry out the purposes of this section.

18 **TITLE VI—METHANE RECOVERY**

19 **SEC. 601. CREDIT FOR CAPTURE OF COALBED METHANE**
 20 **GAS.**

21 (a) CREDIT FOR CAPTURE OF COALBED METHANE
 22 GAS.—Subpart D of part IV of subchapter A of chapter
 23 1 (relating to business related credits), as amended by sec-
 24 tion 502(a), is amended by adding at the end the fol-
 25 lowing:

1 **“SEC. 45E. CREDIT FOR CAPTURE OF COALBED METHANE**
2 **GAS.**

3 “For purposes of section 38, the coalbed methane gas
4 capture credit of any taxpayer for any taxable year is \$10
5 for each ton of carbon-equivalent coalbed methane gas
6 captured by the taxpayer and sold by the taxpayer to an
7 unrelated person during such taxable year (within the
8 meaning of section 45).”

9 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
10 tion 38(b), as amended by section 502(b), is amended by
11 striking “plus” at the end of paragraph (12), by striking
12 the period at the end of paragraph (13) and inserting “,
13 plus”, and by adding at the end the following:

14 “(14) the coalbed methane gas capture credit
15 determined under section 45E(a).”

16 (c) CLERICAL AMENDMENT.—The table of sections
17 for subpart D of part IV of subchapter A of chapter 1,
18 as amended by section 502(d), is amended by adding at
19 the end the following:

“Sec. 45E. Credit for capture of coalbed methane gas.”

20 (d) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to production after the date of the
22 enactment of this Act.

**TITLE VII—OIL AND GAS
PRODUCTION**

SEC. 701. CREDIT FOR PRODUCTION OF RE-REFINED LUBRICATING OIL.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 (relating to business related credits), as amended by section 601(a), is amended by adding at the end the following:

“SEC. 45F. CREDIT FOR PRODUCING RE-REFINED LUBRICATING OIL.

“(a) GENERAL RULE.—For purposes of section 38, the re-refined lubricating oil production credit of any taxpayer for any taxable year is equal to \$4.05 per barrel of qualified re-refined lubricating oil production which is attributable to the taxpayer (within the meaning of section 29(d)(3)).

“(b) QUALIFIED RE-REFINED LUBRICATING OIL PRODUCTION.—For purposes of this section—

“(1) IN GENERAL.—The term ‘qualified re-refined lubricating oil production’ means a base oil manufactured from at least 95 percent used oil and not more than 2 percent of previously unused oil by a re-refining process which effectively removes physical and chemical impurities and spent and unspent additives to the extent that such base oil meets in-

1 dustry standards for engine oil as defined by the
2 American Petroleum Institute document API 1509
3 as in effect on the date of the enactment of this sec-
4 tion.

5 “(2) LIMITATION ON AMOUNT OF PRODUCTION
6 WHICH MAY QUALIFY.—Re-refined lubricating oil
7 produced during any taxable year shall not be treat-
8 ed as qualified re-refined lubricating oil production
9 but only to the extent average daily production dur-
10 ing the taxable year exceeds 7,000 barrels.

11 “(3) BARREL.—The term ‘barrel’ has the
12 meaning given such term by section 613A(e)(4).

13 “(c) INFLATION ADJUSTMENT.—In the case of any
14 taxable year beginning in a calendar year after 1999, the
15 dollar amount contained in subsection (a) shall be in-
16 creased to an amount equal to such dollar amount multi-
17 plied by the inflation adjustment factor for such calendar
18 year (determined under section 29(d)(2)(B) by sub-
19 stituting ‘1998’ for ‘1979’).”

20 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
21 tion 38(b) (relating to current year business credit), as
22 amended by section 601(b), is amended by striking “plus”
23 at the end of paragraph (13), by striking the period at
24 the end of paragraph (14) and inserting “, plus”, and by
25 adding at the end the following:

1 “(15) the re-refined lubricating oil production
2 credit determined under section 45F(a).”

3 (c) CLERICAL AMENDMENT.—The table of sections
4 for subpart D of part IV of subchapter A of chapter 1,
5 as amended by section 601(c), is amended by adding at
6 the end the following:

 “Sec. 45F. Credit for producing re-refined lubricating oil.”

7 (d) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to production after the date of the
9 enactment of this Act.

10 **SEC. 702. 5-YEAR NET OPERATING LOSS CARRYBACK FOR**
11 **LOSSES ATTRIBUTABLE TO OPERATING MIN-**
12 **ERAL INTERESTS OF INDEPENDENT OIL AND**
13 **GAS PRODUCERS.**

14 (a) IN GENERAL.—Paragraph (1) of section 172(b)
15 (relating to years to which loss may be carried) is amended
16 by adding at the end the following new subparagraph:

17 “(H) LOSSES ON OPERATING MINERAL IN-
18 TERESTS OF INDEPENDENT OIL AND GAS PRO-
19 DUCERS.—In the case of a taxpayer—

20 “(i) which has an eligible oil and gas
21 loss (as defined in subsection (j)) for a
22 taxable year, and

23 “(ii) which is not an integrated oil
24 company (as defined in section 291(b)(4)),

1 such eligible oil and gas loss shall be a net op-
2 erating loss carryback to each of the 5 taxable
3 years preceding the taxable year of such loss.”

4 (b) ELIGIBLE OIL AND GAS LOSS.—Section 172 is
5 amended by redesignating subsection (j) as subsection (k)
6 and by inserting after subsection (i) the following new sub-
7 section:

8 “(j) ELIGIBLE OIL AND GAS LOSS.—For purposes
9 of this section—

10 “(1) IN GENERAL.—The term ‘eligible oil and
11 gas loss’ means the lesser of—

12 “(A) the amount which would be the net
13 operating loss for the taxable year if only in-
14 come and deductions attributable to operating
15 mineral interests (as defined in section 614(d))
16 in oil and gas wells are taken into account, or

17 “(B) the amount of the net operating loss
18 for such taxable year.

19 “(2) COORDINATION WITH SUBSECTION
20 (b)(2).—For purposes of applying subsection (b)(2),
21 an eligible oil and gas loss for any taxable year shall
22 be treated in a manner similar to the manner in
23 which a specified liability loss is treated.

24 “(3) ELECTION.—Any taxpayer entitled to a 5-
25 year carryback under subsection (b)(1)(H) from any

1 loss year may elect to have the carryback period
2 with respect to such loss year determined without re-
3 gard to subsection (b)(1)(H).”

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to net operating losses for taxable
6 years beginning after December 31, 1998.

7 **SEC. 703. DEDUCTION FOR DELAY RENTAL PAYMENTS.**

8 (a) IN GENERAL.—Section 263 (relating to capital
9 expenditures) is amended by adding after subsection (i)
10 the following new subsection:

11 “(j) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL
12 AND GAS WELLS.—

13 “(1) IN GENERAL.—Notwithstanding subsection
14 (a), a taxpayer may elect to treat delay rental pay-
15 ments incurred in connection with the development
16 of oil or gas within the United States (as defined in
17 section 638) as payments which are not chargeable
18 to capital account. Any payments so treated shall be
19 allowed as a deduction in the taxable year in which
20 paid or incurred.

21 “(2) DELAY RENTAL PAYMENTS.—For purposes
22 of paragraph (1), the term ‘delay rental payment’
23 means an amount paid for the privilege of deferring
24 development of an oil or gas well.”

1 (b) CONFORMING AMENDMENT.—Section 263A(e)(3)
2 is amended by inserting “263(j),” after “263(i),”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to amounts paid or incurred in tax-
5 able years beginning after December 31, 1999.

6 **SEC. 704. ELECTION TO EXPENSE GEOLOGICAL AND GEO-**
7 **PHYSICAL EXPENDITURES.**

8 (a) IN GENERAL.—Section 263 (relating to capital
9 expenditures) is amended by adding after subsection (j)
10 the following new subsection:

11 “(k) GEOLOGICAL AND GEOPHYSICAL EXPENDI-
12 TURES FOR DOMESTIC OIL AND GAS WELLS.—Notwith-
13 standing subsection (a), a taxpayer may elect to treat geo-
14 logical and geophysical expenses incurred in connection
15 with the exploration for, or development of, oil or gas with-
16 in the United States (as defined in section 638) as ex-
17 penses which are not chargeable to capital account. Any
18 expenses so treated shall be allowed as a deduction in the
19 taxable year in which paid or incurred.”

20 (b) CONFORMING AMENDMENT.—Section 263A(e)(3)
21 is amended by inserting “263(k),” after “263(j),”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to costs paid or incurred in taxable
24 years beginning after December 31, 1999.

1 **SEC. 705. ELIMINATION OF LIMITATION BASED ON 65 PER-**
2 **CENT OF TAXABLE INCOME.**

3 (a) **IN GENERAL.**—Section 613A(d) (relating to limi-
4 tation on percentage depletion in case of oil and gas wells)
5 is amended by striking paragraph (1) and by redesignig-
6 nating paragraphs (2), (3), (4), and (5) as paragraphs (1),
7 (2), (3), and (4), respectively.

8 (b) **EFFECTIVE DATE.**—The amendments made by
9 this section shall apply to taxable years beginning after
10 December 31, 1998.

11 **SEC. 706. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
12 **TION FOR MARGINAL PRODUCTION.**

13 (a) **IN GENERAL.**—Subparagraph (H) of section
14 613A(c)(6) is amended—

15 (1) by striking “, and before January 1, 2000”,
16 and

17 (2) by striking “TEMPORARY SUSPENSION” in
18 the heading and inserting “NONAPPLICATION”.

19 (b) **EFFECTIVE DATE.**—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 1999.

1 **TITLE VIII—RENEWABLE POWER**
2 **GENERATION**

3 **SEC. 801. MODIFICATIONS TO CREDIT FOR ELECTRICITY**
4 **PRODUCED FROM RENEWABLE RESOURCES.**

5 (a) EXPANSION OF QUALIFIED ENERGY RE-
6 SOURCES.—

7 (1) IN GENERAL.—Section 45(c)(1) (defining
8 qualified energy resources) is amended by striking
9 “and” at the end of subparagraph (A), by striking
10 the period at the end of subparagraph (B) and in-
11 sserting a comma, and by adding at the end the fol-
12 lowing:

13 “(C) biomass (other than closed-loop bio-
14 mass), and

15 “(D) poultry waste.”

16 (2) DEFINITIONS.—Section 45(c) is amended
17 by redesignating paragraph (3) as paragraph (4)
18 and by striking paragraph (2) and inserting the fol-
19 lowing:

20 “(2) BIOMASS.—

21 “(A) IN GENERAL.—The term ‘biomass’
22 means—

23 “(i) closed-loop biomass, and

24 “(ii) any solid, nonhazardous, cel-
25 lulosic waste material, which is segregated

1 from other waste materials, and which is
2 derived from—

3 “(I) any of the following forest-
4 related resources: mill residues,
5 precommercial thinnings, slash, and
6 brush, but not including old-growth
7 timber,

8 “(II) waste pallets, crates, and
9 dunnage, and landscape or right-of-
10 way tree trimmings, but not including
11 unsegregated municipal solid waste
12 (garbage) and post-consumer waste-
13 paper, or

14 “(III) agriculture sources, includ-
15 ing orchard tree crops, vineyard,
16 grain, legumes, sugar, and other crop
17 by-products or residues.

18 “(B) CLOSED-LOOP BIOMASS.—The term
19 ‘closed-loop biomass’ means any organic mate-
20 rial from a plant which is planted exclusively
21 for purposes of being used at a qualified facility
22 to produce electricity.

23 “(3) POULTRY WASTE.—The term ‘poultry
24 waste’ means poultry manure and litter, including

1 wood shavings, straw, rice hulls, and other bedding
2 material for the disposition of manure.”

3 (b) EXTENSION AND MODIFICATION OF PLACED-IN-
4 SERVICE RULES.—Paragraph (4) of section 45(c), as re-
5 designated by subsection (a), is amended to read as fol-
6 lows:

7 “(4) QUALIFIED FACILITY.—

8 “(A) WIND FACILITY.—In the case of a fa-
9 cility using wind to produce electricity, the term
10 ‘qualified facility’ means any facility owned by
11 the taxpayer which is originally placed in serv-
12 ice after December 31, 1993, and before Janu-
13 ary 1, 2004.

14 “(B) CLOSED-LOOP BIOMASS FACILITY.—
15 In the case of a facility using closed-loop bio-
16 mass to produce electricity, the term ‘qualified
17 facility’ means any facility owned by the tax-
18 payer which is originally placed in service after
19 December 31, 1992, and before January 1,
20 2004.

21 “(C) BIOMASS FACILITY.—In the case of a
22 facility using biomass (other than closed-loop
23 biomass) to produce electricity, the term ‘quali-
24 fied facility’ means any facility owned by the
25 taxpayer which is originally placed in service

1 after the date of the enactment of this para-
2 graph and before January 1, 2004.

3 “(D) POULTRY WASTE FACILITY.—In the
4 case of a facility using poultry waste to produce
5 electricity, the term ‘qualified facility’ means
6 any facility of the taxpayer which is originally
7 placed in service after the date of the enact-
8 ment of this paragraph and before January 1,
9 2004.

10 “(E) SPECIAL RULES.—

11 “(i) COMBINED PRODUCTION FACILI-
12 TIES INCLUDED.—For purposes of this
13 paragraph, the term ‘qualified facility’
14 shall include a facility using biomass or
15 poultry waste to produce electricity and
16 ethanol.

17 “(ii) SPECIAL RULES.—In the case of
18 a qualified facility described in subpara-
19 graph (C) or (D)—

20 “(I) the 10-year period referred
21 to in subsection (a) shall be treated as
22 beginning no earlier than the date of
23 the enactment of this paragraph, and

24 “(II) subsection (b)(3) shall not
25 apply to any such facility originally

1 placed in service before January 1,
2 1997.”

3 (c) ELECTRICITY PRODUCED FROM BIOMASS CO-
4 FIRED IN COAL PLANTS.—Paragraph (1) of section 45(a)
5 (relating to general rule) is amended by inserting “(1.0
6 cents in the case of electricity produced from biomass co-
7 fired in a facility which produces electricity from coal)
8 after “1.5 cents”.

9 (d) COORDINATION WITH OTHER CREDITS.—Section
10 45(d) (relating to definitions and special rules) is amended
11 by adding at the end the following:

12 “(6) COORDINATION WITH OTHER CREDITS.—
13 This section shall not apply to any production with
14 respect to which the clean coal technology produc-
15 tion credit under section 45B is allowed unless the
16 taxpayer elects to waive the application of such cred-
17 it to such production.”

18 (e) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to electricity produced after the
20 date of the enactment of this Act.

21 **SEC. 802. CREDIT FOR CAPITAL COSTS OF QUALIFIED BIO-**
22 **MASS-BASED GENERATING SYSTEM.**

23 (a) ALLOWANCE OF QUALIFIED BIOMASS-BASED
24 GENERATING SYSTEM FACILITY CREDIT.—Section 46
25 (relating to amount of credit), as amended by section

1 501(a), is amended by striking “and” at the end of para-
 2 graph (3), by striking the period at the end of paragraph
 3 (4) and inserting “, and”, and by adding at the end the
 4 following:

5 “(5) the qualified biomass-based generating sys-
 6 tem facility credit.”

7 (b) AMOUNT OF CREDIT.—Subpart E of part IV of
 8 subchapter A of chapter 1 (relating to rules for computing
 9 investment credit), as amended by section 501(b), is
 10 amended by inserting after section 48C the following:

11 **“SEC. 48C. QUALIFIED BIOMASS-BASED GENERATING SYS-**
 12 **TEM FACILITY CREDIT.**

13 “(a) IN GENERAL.—For purposes of section 46, the
 14 qualified biomass-based generating system facility credit
 15 for any taxable year is an amount equal to 20 percent
 16 of the qualified investment in a qualified biomass-based
 17 generating system facility for such taxable year.

18 “(b) QUALIFIED BIOMASS-BASED GENERATING SYS-
 19 TEM FACILITY.—

20 “(1) IN GENERAL.—For purposes of subsection
 21 (a), the term ‘qualified biomass-based generating
 22 system facility’ means a facility of the taxpayer—

23 “(A)(i) the original use of which com-
 24 mences with the taxpayer or the reconstruction
 25 of which is completed by the taxpayer (but only

1 with respect to that portion of the basis which
2 is properly attributable to such reconstruction),
3 or

4 “(ii) that is acquired through purchase (as
5 defined by section 179(d)(2)),

6 “(B) that is depreciable under section 167,

7 “(C) that has a useful life of not less than
8 4 years, and

9 “(D) that uses a qualified biomass-based
10 generating system.

11 “(2) SPECIAL RULE FOR SALE-LEASEBACKS.—

12 For purposes of subparagraph (A) of paragraph (1),
13 in the case of a facility that—

14 “(A) is originally placed in service by a
15 person, and

16 “(B) is sold and leased back by such per-
17 son, or is leased to such person, within 3
18 months after the date such facility was origi-
19 nally placed in service, for a period of not less
20 than 12 years,

21 such facility shall be treated as originally placed in
22 service not earlier than the date on which such prop-
23 erty is used under the leaseback (or lease) referred
24 to in subparagraph (B). The preceding sentence
25 shall not apply to any property if the lessee and les-

1 sor of such property make an election under this
2 sentence. Such an election, once made, may be re-
3 voked only with the consent of the Secretary.

4 “(3) QUALIFIED BIOMASS-BASED GENERATING
5 SYSTEM.—For purposes of paragraph (1)(D), the
6 term ‘qualified biomass-based generating system’
7 means a biomass-based integrated gasification com-
8 bined cycle (IGCC) generating system which has an
9 electricity-only generation efficiency greater than 40
10 percent.

11 “(c) QUALIFIED INVESTMENT.—For purposes of sub-
12 section (a), the term ‘qualified investment’ means, with
13 respect to any taxable year, the basis of a qualified bio-
14 mass-based generating system facility placed in service by
15 the taxpayer during such taxable year.

16 “(d) QUALIFIED PROGRESS EXPENDITURES.—

17 “(1) INCREASE IN QUALIFIED INVESTMENT.—
18 In the case of a taxpayer who has made an election
19 under paragraph (5), the amount of the qualified in-
20 vestment of such taxpayer for the taxable year (de-
21 termined under subsection (c) without regard to this
22 section) shall be increased by an amount equal to
23 the aggregate of each qualified progress expenditure
24 for the taxable year with respect to progress expend-
25 iture property.

1 “(2) PROGRESS EXPENDITURE PROPERTY DE-
2 FINED.—For purposes of this subsection, the term
3 ‘progress expenditure property’ means any property
4 being constructed by or for the taxpayer and
5 which—

6 “(A) cannot reasonably be expected to be
7 completed in less than 18 months, and

8 “(B) it is reasonable to believe will qualify
9 as a qualified biomass-based generating system
10 facility which is being constructed by or for the
11 taxpayer when it is placed in service.

12 “(3) QUALIFIED PROGRESS EXPENDITURES DE-
13 FINED.—For purposes of this subsection—

14 “(A) SELF-CONSTRUCTED PROPERTY.—In
15 the case of any self-constructed property, the
16 term ‘qualified progress expenditures’ means
17 the amount which, for purposes of this subpart,
18 is properly chargeable (during such taxable
19 year) to capital account with respect to such
20 property.

21 “(B) NON-SELF-CONSTRUCTED PROP-
22 erty.—In the case of non-self-constructed
23 property, the term ‘qualified progress expendi-
24 tures’ means the amount paid during the tax-

1 able year to another person for the construction
2 of such property.

3 “(4) OTHER DEFINITIONS.—For purposes of
4 this subsection—

5 “(A) SELF-CONSTRUCTED PROPERTY.—
6 The term ‘self-constructed property’ means
7 property for which it is reasonable to believe
8 that more than half of the construction expendi-
9 tures will be made directly by the taxpayer.

10 “(B) NON-SELF-CONSTRUCTED PROP-
11 PERTY.—The term ‘non-self-constructed prop-
12 erty’ means property which is not self-con-
13 structed property.

14 “(C) CONSTRUCTION, ETC.—The term
15 ‘construction’ includes reconstruction and erec-
16 tion, and the term ‘constructed’ includes recon-
17 structed and erected.

18 “(D) ONLY CONSTRUCTION OF QUALIFIED
19 BIOMASS-BASED GENERATING SYSTEM FACILITY
20 TO BE TAKEN INTO ACCOUNT.—Construction
21 shall be taken into account only if, for purposes
22 of this subpart, expenditures therefor are prop-
23 erly chargeable to capital account with respect
24 to the property.

1 “(5) ELECTION.—An election under this sub-
2 section may be made at such time and in such man-
3 ner as the Secretary may by regulations prescribe.
4 Such an election shall apply to the taxable year for
5 which made and to all subsequent taxable years.
6 Such an election, once made, may not be revoked ex-
7 cept with the consent of the Secretary.

8 “(e) COORDINATION WITH OTHER CREDITS.—This
9 section shall not apply to any property with respect to
10 which the rehabilitation credit under section 47 or the en-
11 ergy credit under section 48A is allowed unless the tax-
12 payer elects to waive the application of such credits to
13 such property.”

14 (c) RECAPTURE.—Section 50(a) (relating to other
15 special rules), as amended by section 501(c), is amended
16 by adding at the end the following:

17 “(7) SPECIAL RULES RELATING TO QUALIFIED
18 BIOMASS-BASED GENERATING SYSTEM FACILITY.—
19 For purposes of applying this subsection in the case
20 of any credit allowable by reason of section 48C, the
21 following shall apply:

22 “(A) GENERAL RULE.—In lieu of the
23 amount of the increase in tax under paragraph
24 (1), the increase in tax shall be an amount
25 equal to the investment tax credit allowed under

1 section 38 for all prior taxable years with re-
2 spect to a qualified biomass-based generating
3 system facility (as defined by section 48C(b))
4 multiplied by a fraction whose numerator is the
5 number of years remaining to fully depreciate
6 under this title the qualified biomass-based gen-
7 erating system facility disposed of, and whose
8 denominator is the total number of years over
9 which such facility would otherwise have been
10 subject to depreciation. For purposes of the
11 preceding sentence, the year of disposition of
12 the qualified biomass-based generating system
13 facility shall be treated as a year of remaining
14 depreciation.

15 “(B) PROPERTY CEASES TO QUALIFY FOR
16 PROGRESS EXPENDITURES.—Rules similar to
17 the rules of paragraph (2) shall apply in the
18 case of qualified progress expenditures for a
19 qualified biomass-based generating system facil-
20 ity under section 48C, except that the amount
21 of the increase in tax under subparagraph (A)
22 of this paragraph shall be substituted in lieu of
23 the amount described in such paragraph (2).

24 “(C) APPLICATION OF PARAGRAPH.—This
25 paragraph shall be applied separately with re-

1 spect to the credit allowed under section 38 re-
2 garding a qualified biomass-based generating
3 system facility.”

4 (d) TRANSITIONAL RULE.—Section 39(d) of the In-
5 ternal Revenue Code of 1986 (relating to transitional
6 rules), as amended by section 501(d), is amended by add-
7 ing at the end the following:

8 “(11) NO CARRYBACK OF SECTION 48C CREDIT
9 BEFORE EFFECTIVE DATE.—No portion of the un-
10 used business credit for any taxable year which is
11 attributable to the qualified biomass-based gener-
12 ating system facility credit determined under section
13 48C may be carried back to a taxable year ending
14 before the date of the enactment of section 48C.”

15 (e) TECHNICAL AMENDMENTS.—

16 (1) Section 49(a)(1)(C), as amended by section
17 501(e), is amended by striking “and” at the end of
18 clause (iii), by striking the period at the end of
19 clause (iv) and inserting “, and”, and by adding at
20 the end the following:

21 “(v) the portion of the basis of any
22 qualified biomass-based generating system
23 facility attributable to any qualified invest-
24 ment (as defined by section 48C(c)).”

1 or final disposal of bagasse in the manufacture of eth-
2 anol.”

3 (b) EFFECTIVE DATE.—The amendment made by
4 this section shall apply to bonds issued after the date of
5 the enactment of this Act.

6 **TITLE IX—STEELMAKING**

7 **SEC. 901. CREDIT FOR INVESTMENT IN ENERGY-EFFICIENT** 8 **STEELMAKING FACILITIES.**

9 (a) ALLOWANCE OF ENERGY-EFFICIENT
10 STEELMAKING FACILITY CREDIT.—Section 46 (relating
11 to amount of credit), as amended by section 802(a), is
12 amended by striking “and” at the end of paragraph (4),
13 by striking the period at the end of paragraph (5) and
14 inserting “, and”, and by adding at the end the following:

15 “(6) the energy-efficient steelmaking facility
16 credit.”

17 (b) AMOUNT OF ENERGY-EFFICIENT STEELMAKING
18 FACILITY CREDIT.—Subpart E of part IV of subchapter
19 A of chapter 1 (relating to rules for computing investment
20 credit), as amended by section 802(b), is amended by in-
21 serting after section 48C the following:

22 **“SEC. 48D. ENERGY-EFFICIENT STEELMAKING FACILITY** 23 **CREDIT.**

24 “(a) IN GENERAL.—For purposes of section 46, the
25 energy-efficient steelmaking facility credit for any taxable

1 year is an amount equal to 10 percent of the qualified
2 investment in an energy-efficient steelmaking facility for
3 such taxable year.

4 “(b) ENERGY-EFFICIENT STEELMAKING FACIL-
5 ITY.—

6 “(1) IN GENERAL.—For purposes of subsection
7 (a), the term ‘energy-efficient steelmaking facility’
8 means a facility of the taxpayer—

9 “(A)(i) which—

10 “(I) with respect to a facility the
11 original use of which commences with the
12 taxpayer, improves steelmaking energy effi-
13 ciency by 20 percent over the energy effi-
14 ciency norm of the industry as determined
15 by the Secretary for the year in which such
16 facility is placed in service, or

17 “(II) with respect to a facility which
18 replaces an existing steelmaking facility
19 and the original use of which commences
20 with the taxpayer, improves steelmaking
21 energy efficiency by 20 percent over the
22 average energy efficiency of the replaced
23 facility for the 2 taxable years preceding
24 the year in which the replacing facility is
25 placed in service (but only with respect to

1 that portion of the basis which is properly
2 attributable to such replacement), or

3 “(ii) that is acquired through purchase (as
4 defined by section 179(d)(2)),

5 “(B) that is depreciable under section 167,
6 and

7 “(C) that has a useful life of not less than
8 4 years.

9 “(2) SPECIAL RULE FOR SALE-LEASEBACKS.—

10 For purposes of subparagraph (A) of paragraph (1),
11 in the case of a facility that—

12 “(A) is originally placed in service by a
13 person, and

14 “(B) is sold and leased back by such per-
15 son, or is leased to such person, within 3
16 months after the date such facility was origi-
17 nally placed in service, for a period of not less
18 than 12 years,

19 such facility shall be treated as originally placed in
20 service not earlier than the date on which such prop-
21 erty is used under the leaseback (or lease) referred
22 to in subparagraph (B). The preceding sentence
23 shall not apply to any property if the lessee and les-
24 sor of such property make an election under this

1 sentence. Such an election, once made, may be re-
2 voked only with the consent of the Secretary.

3 “(3) STEELMAKING ENERGY EFFICIENCY.—For
4 purposes of paragraph (1)(A), steelmaking energy
5 efficiency shall be measured in BTu’s per ton of raw
6 steel produced.

7 “(c) QUALIFIED INVESTMENT.—For purposes of sub-
8 section (a), the term ‘qualified investment’ means, with
9 respect to any taxable year, the basis of an energy-efficient
10 steelmaking facility placed in service by the taxpayer dur-
11 ing such taxable year.

12 “(d) QUALIFIED PROGRESS EXPENDITURES.—

13 “(1) INCREASE IN QUALIFIED INVESTMENT.—
14 In the case of a taxpayer who has made an election
15 under paragraph (5), the amount of the qualified in-
16 vestment of such taxpayer for the taxable year (de-
17 termined under subsection (c) without regard to this
18 section) shall be increased by an amount equal to
19 the aggregate of each qualified progress expenditure
20 for the taxable year with respect to progress expend-
21 iture property.

22 “(2) PROGRESS EXPENDITURE PROPERTY DE-
23 FINED.—For purposes of this subsection, the term
24 ‘progress expenditure property’ means any property
25 being constructed by or for the taxpayer and which

1 it is reasonable to believe will qualify as an energy-
2 efficient steelmaking facility which is being con-
3 structed by or for the taxpayer when it is placed in
4 service.

5 “(3) QUALIFIED PROGRESS EXPENDITURES DE-
6 FINED.—For purposes of this subsection—

7 “(A) SELF-CONSTRUCTED PROPERTY.—In
8 the case of any self-constructed property, the
9 term ‘qualified progress expenditures’ means
10 the amount which, for purposes of this subpart,
11 is properly chargeable (during such taxable
12 year) to capital account with respect to such
13 property.

14 “(B) NON-SELF-CONSTRUCTED PROP-
15 erty.—In the case of non-self-constructed
16 property, the term ‘qualified progress expendi-
17 tures’ means the amount paid during the tax-
18 able year to another person for the construction
19 of such property.

20 “(4) OTHER DEFINITIONS.—For purposes of
21 this subsection—

22 “(A) SELF-CONSTRUCTED PROPERTY.—
23 The term ‘self-constructed property’ means
24 property for which it is reasonable to believe

1 that more than half of the construction expendi-
2 tures will be made directly by the taxpayer.

3 “(B) NON-SELF-CONSTRUCTED PROP-
4 ERTY.—The term ‘non-self-constructed prop-
5 erty’ means property which is not self-con-
6 structed property.

7 “(C) CONSTRUCTION, ETC.—The term
8 ‘construction’ includes reconstruction and erec-
9 tion, and the term ‘constructed’ includes recon-
10 structed and erected.

11 “(D) ONLY CONSTRUCTION OF ENERGY-
12 EFFICIENT STEELMAKING FACILITY TO BE
13 TAKEN INTO ACCOUNT.—Construction shall be
14 taken into account only if, for purposes of this
15 subpart, expenditures therefor are properly
16 chargeable to capital account with respect to
17 the property.

18 “(5) ELECTION.—An election under this sub-
19 section may be made at such time and in such man-
20 ner as the Secretary may by regulations prescribe.
21 Such an election shall apply to the taxable year for
22 which made and to all subsequent taxable years.
23 Such an election, once made, may not be revoked ex-
24 cept with the consent of the Secretary.

1 “(e) COORDINATION WITH OTHER CREDITS.—This
2 section shall not apply to any property with respect to
3 which the rehabilitation credit under section 47 or the en-
4 ergy credit under section 48A is allowed unless the tax-
5 payer elects to waive the application of such credits to
6 such property.

7 “(f) TERMINATION.—This section shall not apply
8 with respect to any qualified investment after December
9 31, 2004.”

10 (c) RECAPTURE.—Section 50(a) (relating to other
11 special rules), as amended by section 802(c), is amended
12 by adding at the end the following:

13 “(8) SPECIAL RULES RELATING TO ENERGY-EF-
14 FICIENT STEELMAKING FACILITY.—For purposes of
15 applying this subsection in the case of any credit al-
16 lowable by reason of section 48D, the following shall
17 apply:

18 “(A) GENERAL RULE.—In lieu of the
19 amount of the increase in tax under paragraph
20 (1), the increase in tax shall be an amount
21 equal to the investment tax credit allowed under
22 section 38 for all prior taxable years with re-
23 spect to an energy-efficient steelmaking facility
24 (as defined by section 48D(b)) multiplied by a
25 fraction whose numerator is the number of

1 years remaining to fully depreciate under this
2 title the energy-efficient steelmaking facility
3 disposed of, and whose denominator is the total
4 number of years over which such facility would
5 otherwise have been subject to depreciation. For
6 purposes of the preceding sentence, the year of
7 disposition of the energy-efficient steelmaking
8 facility property shall be treated as a year of
9 remaining depreciation.

10 “(B) PROPERTY CEASES TO QUALIFY FOR
11 PROGRESS EXPENDITURES.—Rules similar to
12 the rules of paragraph (2) shall apply in the
13 case of qualified progress expenditures for an
14 energy-efficient steelmaking facility under sec-
15 tion 48D, except that the amount of the in-
16 crease in tax under subparagraph (A) of this
17 paragraph shall be substituted in lieu of the
18 amount described in such paragraph (2).

19 “(C) APPLICATION OF PARAGRAPH.—This
20 paragraph shall be applied separately with re-
21 spect to the credit allowed under section 38 re-
22 garding an energy-efficient steelmaking facil-
23 ity.”

24 (d) TRANSITIONAL RULE.—Section 39(d) of the In-
25 ternal Revenue Code of 1986 (relating to transitional

1 rules), as amended by section 802(d), is amended by add-
2 ing at the end the following:

3 “(12) NO CARRYBACK OF SECTION 48D CREDIT
4 BEFORE EFFECTIVE DATE.—No portion of the un-
5 used business credit for any taxable year which is
6 attributable to the energy-efficient steelmaking facil-
7 ity credit determined under section 48D may be car-
8 ried back to a taxable year ending before the date
9 of the enactment of section 48D.”

10 (e) TECHNICAL AMENDMENTS.—

11 (1) Section 49(a)(1)(C), as amended by section
12 802(e), is amended by striking “and” at the end of
13 clause (iv), by striking the period at the end of
14 clause (v) and inserting “, and”, and by adding at
15 the end the following:

16 “(vi) the portion of the basis of any
17 energy-efficient steelmaking facility attrib-
18 utable to any qualified investment (as de-
19 fined by section 48D(c)).”

20 (2) Section 50(a)(4), as amended by section
21 802(e), is amended by striking “and (7)” and insert-
22 ing “, (7), and (8)”.

23 (3) The table of sections for subpart E of part
24 IV of subchapter A of chapter 1, as amended by sec-

1 tion 802(e), is amended by inserting after the item
2 relating to section 48C the following:

 “Sec. 48D. Energy-efficient steelmaking facility credit.”

3 (f) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to periods after December 31,
5 1999, under rules similar to the rules of section 48(m)
6 of the Internal Revenue Code of 1986 (as in effect on the
7 day before the date of the enactment of the Revenue Rec-
8 onciliation Act of 1990).

9 **SEC. 902. EXTENSION OF CREDIT FOR ELECTRICITY TO**
10 **PRODUCTION FROM STEEL COGENERATION.**

11 (a) **EXTENSION OF CREDIT FOR COKE PRODUCTION**
12 **AND STEEL MANUFACTURING FACILITIES.**—Section
13 45(c)(1) (defining qualified energy resources), as amended
14 by section 801(a)(1), is amended by striking “and” at the
15 end of subparagraph (C), by striking the period at the end
16 of subparagraph (D) and inserting “, and”, and by adding
17 at the end the following:

18 “(E) steel cogeneration.”

19 (b) **STEEL COGENERATION.**—Section 45(c), as
20 amended by subsections (a)(2) and (b) of section 801, is
21 amended by redesignating paragraph (4) as paragraph (5)
22 and by inserting after paragraph (3) the following:

23 “(4) **STEEL COGENERATION.**—

24 “(A) **IN GENERAL.**—The term ‘steel cogen-
25 eration’ means the production of steam or other

1 form of thermal energy of at least 20 percent
2 of total production and the production of elec-
3 tricity or mechanical energy (or both) of at
4 least 20 percent of total production if the co-
5 generation meets regulatory energy-efficiency
6 standards established by the Secretary and only
7 to the extent that such energy is produced
8 from—

9 “(i) gases or heat generated during
10 the production of coke,

11 “(ii) blast furnace gases or heat gen-
12 erated during the production of iron ore or
13 iron, or

14 “(iii) waste gases or heat generated
15 from the manufacture of steel that uses at
16 least 20 percent recycled material.

17 “(B) TOTAL PRODUCTION.—For purposes
18 of subparagraph (A), the term ‘total produc-
19 tion’ means, with respect to any facility which
20 produces coke, iron ore, iron, or steel, produc-
21 tion from all waste sources described in clauses
22 (i), (ii), and (iii) of subparagraph (A) (which-
23 ever applicable) from the entire facility.”

24 (c) MODIFICATION OF PLACED IN SERVICE RULES
25 FOR STEEL COGENERATION FACILITIES.—Section

1 45(c)(5) (defining qualified facility), as amended by sec-
2 tion 801(b) and redesignated by subsection (b), is amend-
3 ed by redesignating subparagraph (E) as subparagraph
4 (F) and by inserting after subparagraph (D) the following:

5 “(E) STEEL COGENERATION FACILITIES.—

6 In the case of a facility using steel cogeneration
7 to produce electricity, the term ‘qualified facil-
8 ity’ means any facility permitted to operate
9 under the environmental requirements of the
10 Clean Air Act Amendments of 1990 which is
11 owned by the taxpayer and originally placed in
12 service after December 31, 1999, and before
13 January 1, 2005. Such a facility may be treated
14 as originally placed in service when such facility
15 was last upgraded to increase efficiency or gen-
16 eration capability. However, no facility shall be
17 allowed a credit under this section for more
18 than 10 years of production.”

19 (d) CONFORMING AMENDMENTS.—

20 (1) The heading for section 45 is amended by
21 inserting “**AND WASTE ENERGY**” after “**RENEW-**
22 **ABLE**”.

23 (2) The item relating to section 45 in the table
24 of sections subpart D of part IV of subchapter A of

1 chapter 1 is amended by inserting “and waste en-
2 ergy” after “renewable”.

3 (e) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2001, and before January 1, 2005.

6 **TITLE X—AGRICULTURE**

7 **SEC. 1001. AGRICULTURAL CONSERVATION TAX CREDIT.**

8 (a) IN GENERAL.—Subpart D of part IV of sub-
9 chapter A of chapter 1 (relating to business related cred-
10 its), as amended by section 701(a), is amended by adding
11 at the end the following:

12 **“SEC. 45G. AGRICULTURAL CONSERVATION CREDIT.**

13 “(a) IN GENERAL.—For purposes of section 38, in
14 the case of an eligible person, the agricultural conservation
15 credit determined under this section for the taxable year
16 is an amount equal to—

17 “(1) 10 percent of the eligible conservation till-
18 age equipment expenses, and

19 “(2) 10 percent of the eligible irrigation equip-
20 ment expenses,

21 paid or incurred by such person in connection with the
22 active conduct of the trade or business of farming for the
23 taxable year.

24 “(b) ELIGIBLE PERSON.—For purposes of this sec-
25 tion, the term ‘eligible person’ means, with respect to any

1 taxable year, any person if the average annual gross re-
2 ceipts of such person for the 3 preceding taxable years
3 do not exceed \$1,000,000. For purposes of the preceding
4 sentence, rules similar to the rules of section 448(c)(3)
5 shall apply.

6 “(c) LIMITATION.—The amount of the credit allowed
7 under subsection (a) for any taxable year shall not exceed
8 \$2,500 for each credit determined under paragraph (1)
9 or (2) of such subsection.

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

11 “(1) ELIGIBLE CONSERVATION TILLAGE EQUIP-
12 MENT EXPENSES.—

13 “(A) IN GENERAL.—The term ‘eligible con-
14 servation tillage equipment expenses’ means
15 amounts paid or incurred by a taxpayer to pur-
16 chase and install conservation tillage equipment
17 for use in the trade or business of the taxpayer.

18 “(B) CONSERVATION TILLAGE EQUIP-
19 MENT.—The term ‘conservation tillage equip-
20 ment’ means a no-till planter or drill designed
21 to minimize the disturbance of the soil in plant-
22 ing crops, including such planters or drills
23 which may be attached to equipment already
24 owned by the taxpayer.

1 “(2) ELIGIBLE IRRIGATION EQUIPMENT EX-
 2 PENSES.—The term ‘eligible irrigation equipment
 3 expenses’ means amounts paid or incurred by a
 4 taxpayer—

5 “(A) to purchase and install on currently
 6 irrigated lands new or upgraded equipment
 7 which will improve the efficiency of existing irri-
 8 gation systems used in the trade or business of
 9 the taxpayer, including—

10 “(i) spray jets or nozzles which im-
 11 prove water distribution efficiency,

12 “(ii) irrigation well meters,

13 “(iii) surge valves and surge irrigation
 14 systems, and

15 “(iv) conversion of equipment from
 16 gravity irrigation to sprinkler or drip irri-
 17 gation, including center pivot systems, and

18 “(B) for service required to schedule the
 19 use of such irrigation equipment as necessary to
 20 manage water application to the crop require-
 21 ment based on local evaporation and transpira-
 22 tion rates or soil moisture.

23 “(e) SPECIAL RULES.—

24 “(1) REDUCTION IN BASIS.—For purposes of
 25 this subtitle, if a credit is determined under this sec-

1 tion with respect to any property, the basis of such
2 property shall be reduced by the amount of the cred-
3 it so determined.

4 “(2) PASS-THRU IN THE CASE OF ESTATES AND
5 TRUSTS.—For purposes of this section, under regu-
6 lations prescribed by the Secretary, rules similar to
7 the rules of subsection (d) of section 52 shall apply.

8 “(3) ALLOCATION IN THE CASE OF PARTNER-
9 SHIPS.—For purposes of this section, in the case of
10 partnerships, the credit shall be allocated among
11 partners under regulations prescribed by the Sec-
12 retary.

13 “(4) DENIAL OF DOUBLE BENEFIT.—No other
14 deduction or credit shall be allowed to the taxpayer
15 under this chapter for any amount taken into ac-
16 count in determining the credit under this section.”

17 (b) CONFORMING AMENDMENTS.—

18 (1) Section 38(b), as amended by section
19 701(b), is amended by striking “plus” at the end of
20 paragraph (14), by striking the period at the end of
21 paragraph (15), and inserting “, plus”, and by add-
22 ing at the end the following:

23 “(16) the agricultural conservation credit deter-
24 mined under section 45G.”

1 (2) The table of sections for subpart D of part
2 IV of subchapter A of chapter 1, as amended by sec-
3 tion 701(c), is amended by adding at the end the
4 following:

 “Sec. 45G. Agricultural conservation credit.”

5 (3) Section 1016(a), as amended by section
6 201(b)(1), is amended by striking “and” at the end
7 of paragraph (27), striking the period at the end of
8 paragraph (28) and inserting “; and”, and adding at
9 the end the following:

10 “(29) in the case of property with respect to
11 which a credit was allowed under section 45G, to the
12 extent provided in section 45G(d)(1).”

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply to taxable years beginning after
15 December 31, 1999.

○