

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# S. 3654

To amend the Internal Revenue Code to allow a credit against income tax, or, in the alternative, a special depreciation allowance, for reuse and recycling property, to provide for tax-exempt financing of recycling equipment, and for other purposes.

---

## IN THE SENATE OF THE UNITED STATES

JULY 13, 2006

Mr. JEFFORDS (for himself and Mr. CARPER) introduced the following bill;  
which was read twice and referred to the Committee on Finance

---

## A BILL

To amend the Internal Revenue Code to allow a credit against income tax, or, in the alternative, a special depreciation allowance, for reuse and recycling property, to provide for tax-exempt financing of recycling equipment, 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.**

4       This Act may be cited as the “Recycling Investment  
5       Saves Energy” or the “RISE Act”.

6       **SEC. 2. FINDINGS.**

7       The Senate finds the following:

1           (1) Recycling means business in the United  
2 States, with more than 56,000 reuse and recycling  
3 establishments that employ over 1.1 million people,  
4 generating an annual payroll of nearly \$37 billion,  
5 and grossing over \$236 billion in annual revenues.  
6 On a per-ton basis, sorting and processing  
7 recyclables alone sustain 10 times more jobs than  
8 landfilling or incineration.

9           (2) By reducing the need to extract and process  
10 virgin raw materials into manufacturing feedstock,  
11 reuse and recycling helps achieve significant energy  
12 savings. For example:

13                 (A) Taken together, the amount of energy  
14 wasted from not recycling aluminum and steel  
15 cans, paper, printed materials, glass, and plas-  
16 tic equals the annual output of 15 medium  
17 sized power plants.

18                 (B) The reuse of 500 steel drums per week  
19 yields 6 trillion Btu's per year, which is enough  
20 energy savings to power a city the size of Colo-  
21 rado Springs, Colorado, for 1 year.

22           (3) Unfortunately, the United States recycling  
23 rate of many consumer commodities, including alu-  
24 minum, glass, and plastic, are stagnant or declining,  
25 and businesses that rely on recycled feedstock are

1 finding it difficult to obtain the quantity and quality  
2 of recycled materials needed. Increasingly, United  
3 States manufacturing facilities that rely on recycled  
4 feedstock are closing or forced to re-tool to use vir-  
5 gin materials.

6 (4) The environmental impacts from reuse and  
7 recycling are significant. Increased reuse and recy-  
8 cling would produce significant environmental bene-  
9 fits, such as cleaner air, safer water, and reduced  
10 production costs. For example:

11 (A) Between 2 and 5 percent of the waste  
12 stream is reusable. Reuse prevents waste cre-  
13 ation and adverse impacts from disposal.

14 (B) On a per-ton basis, recycling of: office  
15 paper prevents 60 pounds of air pollutants from  
16 being released, saves 7,000 gallons of water,  
17 and 3.3 cubic yards of landfill space; aluminum  
18 saves 10 cubic yards of landfill space; plastic  
19 saves 30 cubic yards of landfill space; glass pre-  
20 vents 7.5 pounds of air pollutants from being  
21 released and saves 2 cubic yards of landfill  
22 space; and steel saves 4 cubic yards of landfill  
23 space.

1           (5) A national investment in the reuse and re-  
2           cycling industries is needed to preserve and expand  
3           America’s reuse and recycling infrastructure.

4 **SEC. 3. CREDIT FOR REUSE AND RECYCLING PROPERTY.**

5           (a) IN GENERAL.—Subpart D of part IV of sub-  
6 chapter A of chapter 1 of the Internal Revenue Code of  
7 1986 (relating to business-related credits) is amended by  
8 adding at the end the following new section:

9 **“SEC. 45N. CREDIT FOR QUALIFIED REUSE AND RECYCLING**  
10 **PROPERTY.**

11           “(a) ALLOWANCE OF CREDIT.—For purposes of sec-  
12 tion 38, the qualified reuse and recycling property credit  
13 determined under this section for the taxable year is an  
14 amount equal to 15 percent of the amount paid or in-  
15 curred during the taxable year for the cost of qualified  
16 reuse and recycling property placed in service or leased  
17 by the taxpayer.

18           “(b) DEFINITIONS.—For purposes of this section—

19                   “(1) QUALIFIED REUSE AND RECYCLING PROP-  
20                   PERTY.—

21                           “(A) IN GENERAL.—The term ‘qualified  
22                           reuse and recycling property’ means any ma-  
23                           chinery and equipment (not including buildings  
24                           or real estate), along with all appurtenances  
25                           thereto, including software necessary to operate

1 such equipment, which is used exclusively to  
2 collect, distribute, or recycle qualified reuse and  
3 recyclable materials.

4 “(B) EXCLUSION.—Such term does not in-  
5 clude rolling stock or other equipment used to  
6 transport reuse and recyclable materials.

7 “(2) QUALIFIED REUSE AND RECYCLABLE MA-  
8 TERIALS.—

9 “(A) IN GENERAL.—The term ‘qualified  
10 reuse and recyclable materials’ means scrap  
11 plastic, scrap textiles, scrap rubber, scrap pack-  
12 aging, recovered fiber, scrap ferrous and non-  
13 ferrous metals, or electronic waste generated by  
14 an individual or business.

15 “(B) ELECTRONIC WASTE.—For purposes  
16 of subparagraph (A), the term ‘electronic waste’  
17 means—

18 “(i) any cathode ray tube, flat panel  
19 screen, or similar video display device with  
20 a screen size greater than 4 inches meas-  
21 ured diagonally, or

22 “(ii) any central processing unit.

23 “(3) RECYCLING OR RECYCLE.—The term ‘re-  
24 cycling’ or ‘recycle’ means that process (including  
25 sorting) by which worn or superfluous materials are

1 manufactured or processed into specification grade  
2 commodities that are suitable for use as a replace-  
3 ment or substitute for virgin materials in manufac-  
4 turing tangible consumer and commercial products,  
5 including packaging.

6 “(c) AMOUNT PAID OR INCURRED.—For purposes of  
7 this section—

8 “(1) IN GENERAL.—The term ‘amount paid or  
9 incurred’ includes installation costs.

10 “(2) LEASE PAYMENTS.—In the case of the  
11 leasing of qualified reuse and recycling property by  
12 the taxpayer, the term ‘amount paid or incurred’  
13 means the amount of the lease payments due to be  
14 paid during the term of the lease occurring during  
15 the taxable year other than such portion of such  
16 lease payments attributable to interest, insurance,  
17 and taxes.

18 “(3) GRANTS, ETC. EXCLUDED.—The term  
19 ‘amount paid or incurred’ shall not include any  
20 amount to the extent such amount is funded by any  
21 grant, contract, or otherwise by another person (or  
22 any governmental entity).

23 “(d) ELECTION TO HAVE SECTION NOT APPLY.—A  
24 taxpayer may elect for any taxable year to have this sec-

1 tion not apply with respect to any qualified recycling prop-  
2 erty specified by the taxpayer.

3 “(e) OTHER TAX DEDUCTIONS AND CREDITS AVAIL-  
4 ABLE FOR PORTION OF COST NOT TAKEN INTO ACCOUNT  
5 FOR CREDIT UNDER THIS SECTION.—No deduction or  
6 other credit under this chapter shall be allowed with re-  
7 spect to the amount of the credit determined under this  
8 section.

9 “(f) BASIS ADJUSTMENTS.—For purposes of this  
10 subtitle, if a credit is allowed under this section for any  
11 amount paid or incurred with respect to any property, the  
12 increase in the basis of such property which would (but  
13 for this subsection) result from such expenditure shall be  
14 reduced by the amount of the credit so allowed.”.

15 (b) CONFORMING AMENDMENTS.—

16 (1) CREDIT MADE PART OF GENERAL BUSINESS  
17 CREDIT.—Subsection (b) of section 38 of the Inter-  
18 nal Revenue Code of 1986 is amended by striking  
19 “and” at the end of paragraph (29), by striking the  
20 period at the end of paragraph (30) and inserting “,  
21 plus”, and by adding at the end the following new  
22 paragraph:

23 “(31) the qualified reuse and recycling property  
24 credit determined under section 45N(a).”.

1           (2) Subsection (a) of section 1016 of such Code  
2 is amended by striking “and” at the end of para-  
3 graph (36), by striking the period at the end of  
4 paragraph (37) and inserting “; and”, and by add-  
5 ing at the end the following new paragraph:

6           “(38) to the extent provided in section 45N(f),  
7 in the case of amounts with respect to which a credit  
8 has been allowed under section 45N.”.

9           (3) Section 6501(m) of such Code is amended  
10 by inserting “45N(d),” after “45C(d)(4),”.

11           (4) The table of sections for subpart D of part  
12 IV of subchapter A of chapter 1 of such Code is  
13 amended by inserting after the item relating to sec-  
14 tion 45M the following new item:

“Sec. 45N. Credit for qualified reuse and recycling property.”.

15           (c) EFFECTIVE DATE.—The amendments made by  
16 this section shall apply to taxable years beginning after  
17 December 31, 2005.

18 **SEC. 4. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN**  
19 **REUSE AND RECYCLING PROPERTY.**

20           (a) IN GENERAL.—Section 168 of the Internal Rev-  
21 enue Code of 1986 (relating to accelerated cost recovery  
22 system) is amended by adding at the end the following  
23 new subsection:

24           “(1) SPECIAL ALLOWANCE FOR CERTAIN REUSE AND  
25 RECYCLING PROPERTY.—

1           “(1) IN GENERAL.—In the case of any qualified  
2 reuse and recycling property—

3           “(A) the depreciation deduction provided  
4 by section 167(a) for the taxable year in which  
5 such property is placed in service shall include  
6 an allowance equal to 50 percent of the ad-  
7 justed basis of the qualified reuse and recycling  
8 property, and

9           “(B) the adjusted basis of the qualified  
10 reuse and recycling property shall be reduced by  
11 the amount of such deduction before computing  
12 the amount otherwise allowable as a deprecia-  
13 tion deduction under this chapter for such tax-  
14 able year and any subsequent taxable year.

15           “(2) QUALIFIED REUSE AND RECYCLING PROP-  
16 erty.—For purposes of this subsection—

17           “(A) IN GENERAL.—The term ‘qualified  
18 reuse and recycling property’ means any quali-  
19 fied reuse and recycling property (as defined in  
20 section 45N(b)(1))—

21                   “(i) to which this section applies,

22                   “(ii) which has a useful life of at least  
23                   5 years,

1 “(iii) the original use of which com-  
2 mences with the taxpayer after December  
3 31, 2005,

4 “(iv) which is—

5 “(I) acquired by purchase (as de-  
6 fined in section 179(d)(2)) by an eligi-  
7 ble taxpayer after December 31,  
8 2005, but only if no written binding  
9 contract for the acquisition was in ef-  
10 fect before December 31, 2005, or

11 “(II) acquired by the eligible tax-  
12 payer pursuant to a written binding  
13 contract which was entered into after  
14 December 31, 2005.

15 “(B) EXCEPTIONS.—

16 “(i) ALTERNATIVE DEPRECIATION  
17 PROPERTY.—The term ‘qualified property’  
18 shall not include any property to which the  
19 alternative depreciation system under sub-  
20 section (g) applies, determined without re-  
21 gard to paragraph (7) of subsection (g)  
22 (relating to election to have system apply).

23 “(ii) ELECTION OUT.—If a taxpayer  
24 makes an election under this clause with  
25 respect to any class of property for any

1 taxable year, this subsection shall not  
2 apply to all property in such class placed  
3 in service during such taxable year.

4 “(C) SPECIAL RULES.—

5 “(i) SELF-CONSTRUCTED PROP-  
6 ERTY.—In the case of an eligible taxpayer  
7 manufacturing, constructing, or producing  
8 property for the eligible taxpayer’s own  
9 use, the requirements of clause (iv) of sub-  
10 paragraph (A) shall be treated as met if  
11 the eligible taxpayer begins manufacturing,  
12 constructing, or producing the property  
13 after December 31, 2005.

14 “(ii) SALE-LEASEBACKS.—For pur-  
15 poses of subparagraph (A)(iii), if prop-  
16 erty—

17 “(I) is originally placed in service  
18 after December 31, 2005, by a per-  
19 son, and

20 “(II) sold and leased back by  
21 such person within 3 months after the  
22 date such property was originally  
23 placed in service,  
24 such property shall be treated as originally  
25 placed in service not earlier than the date

1                   on which such property is used under the  
2                   leaseback referred to in subclause (II).

3                   “(D) DEDUCTION ALLOWED IN COM-  
4                   PUTING MINIMUM TAX.—For purposes of deter-  
5                   mining alternative minimum taxable income  
6                   under section 55, the deduction under sub-  
7                   section (a) for qualified reuse and recycling  
8                   property shall be determined under this section  
9                   without regard to any adjustment under section  
10                  56.

11                  “(3) ELIGIBLE TAXPAYER.—For purposes of  
12                  this subsection, the term ‘eligible taxpayer’ means,  
13                  with respect to any qualified reuse and recycling  
14                  property, any taxpayer which elects not to have sec-  
15                  tion 45N apply with respect to such property.”.

16                  (b) EFFECTIVE DATE.—The amendment made by  
17                  this section shall apply to property placed in service after  
18                  December 31, 2005.

19                  **SEC. 5. TAX-EXEMPT BOND FINANCING OF RECYCLING FA-**  
20                  **CILITIES.**

21                  (a) IN GENERAL.—Section 142 of the Internal Rev-  
22                  enue Code of 1986 (defining exempt facility bond) is  
23                  amended by adding at the end the following new sub-  
24                  section:

25                  “(n) SOLID WASTE DISPOSAL FACILITIES.—

1           “(1) IN GENERAL.—For purposes of subsection  
2 (a)(6) only, the term ‘solid waste disposal facilities’  
3 means any facility used to perform a solid waste dis-  
4 posal function.

5           “(2) SOLID WASTE DISPOSAL FUNCTION.—

6           “(A) IN GENERAL.—For purposes of this  
7 subsection only, the term ‘solid waste disposal  
8 function’ means the collection, separation, sort-  
9 ing, storage, treatment, disassembly, handling,  
10 or processing of solid waste in any manner de-  
11 signed to dispose of the solid waste, including  
12 processing the solid waste into a useful energy  
13 source or product.

14           “(B) EXTENT OF FUNCTION.—For pur-  
15 poses of this subsection only, the solid waste  
16 disposal function ends at the later of—

17           “(i) the point of final disposal of the  
18 solid waste,

19           “(ii) immediately after the solid waste  
20 is incinerated to produce energy, or

21           “(iii) the point at which the solid  
22 waste has been converted into a material  
23 or product that can be sold in the same  
24 manner as comparable material or product  
25 produced from virgin material.

1           “(C) FUNCTIONALLY RELATED AND SUB-  
2           ORDINATE FACILITIES.—For purposes of this  
3           subsection only, in the case of a facility used to  
4           perform both a solid waste disposal function  
5           and another function—

6                   “(i) the costs of the facility allocable  
7                   to the solid waste disposal function are de-  
8                   termined using any reasonable method  
9                   based upon facts and circumstances, and

10                   “(ii) if during the period that bonds  
11                   issued as part of an issue described in sub-  
12                   section (a)(6) are outstanding with respect  
13                   to any facility at least 65 percent of the  
14                   materials processed in such facility are  
15                   solid waste materials as measured by  
16                   weight or volume, then all of the costs of  
17                   the property used to perform such process  
18                   are allocable to a solid waste disposal func-  
19                   tion.

20           “(3) SOLID WASTE.—For purposes of this sub-  
21           section only—

22                   “(A) IN GENERAL.—The term ‘solid waste’  
23                   means garbage, refuse, or discarded solid mate-  
24                   rials, including waste materials resulting from

1 industrial, commercial, agricultural, or commu-  
2 nity activities.

3 “(B) GARBAGE, REFUSE OR DISCARDED  
4 SOLID MATERIALS.—For purposes of subpara-  
5 graph (A), the term ‘garbage, refuse, or dis-  
6 carded solid materials’ means materials that are  
7 useless, unused, unwanted, or discarded.

8 “(C) EXCLUSION.—The term ‘solid waste’  
9 does not include materials in domestic sewage,  
10 pollutants in industrial or other water re-  
11 sources, or other liquid or gaseous waste mate-  
12 rials.”.

13 (b) EFFECTIVE DATE.—The amendment made by  
14 this section shall apply to bonds issued before, on, or after  
15 the date of the enactment of this Act.

○