

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

# S. 3590

To amend the Internal Revenue Code of 1986 to provide financial incentives to facilitate the development and early deployment of carbon capture and sequestration technologies, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

JULY 14, 2010

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

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## A BILL

To amend the Internal Revenue Code of 1986 to provide financial incentives to facilitate the development and early deployment of carbon capture and sequestration technologies, 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 “Carbon Capture and  
5        Sequestration Deployment Revenue Act of 2010”.

6        **SEC. 2. TABLE OF CONTENTS.**

7        The table of contents for this Act is as follows:

TITLE I—SEQUESTRATION TAX CREDIT AND CAPACITY  
INCENTIVES

Sec. 101. Carbon sequestration tax credit amendments.

Sec. 102. Federal financial incentives for additional 10 GW of capacity.

TITLE II—62 GW EARLY ADOPTER PROGRAM; SEQUESTRATION  
BONDS

Sec. 201. Tax credit for early adoption of CCS.

Sec. 202. Carbon sequestration bonds.

**1    **TITLE I—SEQUESTRATION TAX****  
**2    **CREDIT; CAPACITY INCENTIVES****

**3    **SEC. 101. CARBON SEQUESTRATION TAX CREDIT AMEND-****  
**4                                    **MENTS.****

**5            (a) IN GENERAL.**—Section 45Q of the Internal Rev-  
**6    enue Code of 1986 is amended—**

**7                    (1) by inserting “or converted to a stable form**  
**8                    in which it is securely and permanently sequestered”**  
**9                    after “secure geological storage” in subparagraph**  
**10                   (B) of section 45Q(a)(1);**

**11                   (2) by striking subsection (a)(2) an inserting**  
**12                   the following:**

**13                            “(2) \$10 per metric ton of qualified carbon di-**  
**14                            oxide which is captured at a qualified facility and**  
**15                            used as a tertiary injectant in a qualified enhanced**  
**16                            oil or natural gas recovery project, and**

**17                                    “(A) disposed of in secure geologic storage,**

**18                                    or**

**19                                    “(B) converted to a stable form to enable**  
**20                                    permanent sequestration, including the bene-**  
**21                                    ficial use of such converted carbon dioxide.”;**

1           (3) by striking the words “by the taxpayer”  
2 each place they appear in subsection (a);

3           (4) by striking “would otherwise” in subsection  
4 (b)(1)(A) and inserting “would, but for the capture  
5 and use or sequestration,”;

6           (5) by striking paragraph (1) of subsection (c)  
7 and redesignating paragraphs (2) and (3) as para-  
8 graphs (1) and (2), respectively;

9           (6) by striking paragraph (5) of subsection (d)  
10 and inserting the following:

11           “(5) CREDIT ATTRIBUTABLE TO TAXPAYER.—  
12 Any credit under this section shall be attributable to  
13 the person that captures the qualified carbon diox-  
14 ide, except to the extent provided in regulations pre-  
15 scribed by the Secretary.”;

16           (7) by adding at the end of subsection (d) the  
17 following:

18           “(8) PLACED IN SERVICE.—Carbon capture  
19 equipment is placed in service on the date qualified  
20 carbon dioxide is first captured at a qualified facility  
21 and either—

22                   “(A) injected in secure geologic storage or  
23 converted to a stable form, or

1           “(B) used as an injectant in a qualified en-  
2           hanced hydrocarbon recovery project or con-  
3           verted to a stable form.

4           “(9) TRANSFERABILITY OF CREDIT.—The cred-  
5           it under this section may be transferred to any other  
6           person by the person to which the credit is attrib-  
7           utable.”;

8           (8) by striking subsection (e) and inserting the  
9           following:

10          “(e) APPLICATION OF SECTION.—The credit under  
11          this section shall apply with respect to qualified carbon  
12          dioxide captured at a qualified facility at which carbon  
13          capture equipment is placed in service prior to January  
14          1, 2019. The taxpayer may claim the credit for a 10-year  
15          period commencing with the date the carbon capture  
16          equipment is placed in service.”; and

17          (9) by inserting “or conversion to a stable  
18          form” after “geological storage” in subsection  
19          (d)(2).

20          (b) EFFECTIVE DATE.—The amendments made by  
21          subsection (a) shall apply to carbon dioxide captured after  
22          the date of enactment of this Act.

1 **SEC. 102. FEDERAL FINANCIAL INCENTIVES FOR ADDI-**  
2 **TIONAL 10 GW OF CAPACITY.**

3 (a) ADDITIONAL AUTHORIZATION.—Section 1704 of  
4 the Energy Policy Act of 2005 (42 U.S.C. 16514) is  
5 amended—

6 (1) by adding the following at the end of sub-  
7 section (a): “In addition to other amounts made  
8 available under this section, there are authorized  
9 \$20,000,000,000 to be used only for guarantees  
10 under this title for—

11 “(1) the construction of new commercial scale  
12 electric generation units, or industrial facility units,  
13 that are eligible units utilizing carbon capture and  
14 sequestration technology;

15 “(2) the retrofit of existing commercial scale  
16 electric generation units, or industrial facility units,  
17 that are eligible units providing for carbon capture  
18 and sequestration; and

19 “(3) the construction of carbon dioxide trans-  
20 mission pipelines to transport carbon dioxide to se-  
21 questration sites or to sites where such carbon diox-  
22 ide will be used for hydrocarbon recovery.”; and

23 (2) by adding at the end thereof the following:

24 “(c) DEFINITIONS.—In this section:

25 “(1) COMMERCIAL SCALE.—The term ‘commer-  
26 cial scale’ means, with respect to an electric genera-

1       tion unit, that the unit is designed to generate and  
2       sell electric power directly to consumers, or for re-  
3       sale, with a carbon dioxide capture system having a  
4       useful life of at least 15 years.

5           “(2) PERMANENT GEOLOGIC STORAGE SITE.—

6       The term ‘permanent geologic storage site’ means a  
7       site that the Secretary determines is capable of stor-  
8       ing carbon dioxide in saline or other deep geologic  
9       storage structures.

10          “(3) ELIGIBLE UNIT.—The term ‘eligible unit’

11       means an electric generation unit or industrial facil-  
12       ity unit located in the United States that—

13           “(A) uses coal or petroleum coke for at  
14           least 75 percent of the fuel used by the unit;

15           “(B) uses carbon capture technology to  
16           treat at least—

17               “(i) 20 percent of the carbon dioxide  
18               emissions of the unit; or

19               “(ii) an amount of carbon dioxide  
20               emissions that is attributable to 200  
21               megawatts of the total nameplate gener-  
22               ating capacity of the unit;

23           “(C) captures at least 80 percent of the  
24       carbon dioxide emissions from the treated emis-  
25       sions of the unit;

1           “(D) transports such captured carbon di-  
2           oxide to a permanent geologic storage site in  
3           the United States or to a site on the North  
4           American continent for use for hydrocarbon re-  
5           covery;

6           “(E) provides for the permanent storage of  
7           such carbon dioxide in such site; and

8           “(F) has been approved by the Secretary  
9           as eligible under this subsection.

10          “(d) ELIGIBLE UNITS.—

11           “(1) CERTIFICATION.—No unit shall be an eli-  
12           gible unit under subsection (c) unless the Secretary  
13           has certified such unit as meeting the requirements  
14           of such subsection (c) pursuant to a certification  
15           process established by the Secretary by rule.

16           “(2) LIMITATION.—The Secretary may certify  
17           eligible units under this subsection which total in the  
18           aggregate no more than 10 gigawatts of treated gen-  
19           erating capacity, of which not more than the equiva-  
20           lent of 5 gigawatts of capacity may be for industrial  
21           units. For purposes of determining equivalency  
22           under this subsection, an industrial unit with uncon-  
23           trolled carbon dioxide emissions equal to the uncon-  
24           trolled carbon dioxide emissions of a 500 megawatt  
25           electric generation unit shall be treated as having in-

1 stalled capacity equivalent to such 500 megawatt  
2 unit.”.

3 (b) TAX CREDITS.—

4 (1) IN GENERAL.—Subpart E of part IV of  
5 subchapter A of chapter 1 of the Internal Revenue  
6 Code of 1986 is amended by adding at the end  
7 thereof the following:

8 **“SEC. 48E. PIONEER CCS FACILITIES.**

9 “(a) ADDITIONAL QUALIFYING ADVANCED COAL  
10 PROJECT CREDIT.—For purposes of section 46, the quali-  
11 fying advanced coal project credit for any taxable year  
12 shall also include an additional amount equal to 30 per-  
13 cent of the incremental cost for carbon capture and se-  
14 questration systems for eligible units, determined as fol-  
15 lows:

16 “(1) For an eligible unit that is a new electric  
17 generation unit, the incremental costs shall be the  
18 amount by which the costs incurred by the taxpayer  
19 for the unit exceed the costs of construction of a  
20 comparable supercritical pulverized coal unit without  
21 carbon capture and sequestration technology. To es-  
22 tablish incremental costs, the taxpayer shall obtain  
23 a certified report of a qualified independent engineer  
24 estimating the differential construction cost between  
25 the eligible unit and a comparably-sized supercritical

1 pulverized coal unit without carbon capture and se-  
2 questration. The independent engineer shall utilize  
3 cost estimates for supercritical pulverized coal units  
4 available from Federal agencies, academia and/or the  
5 private sector, appropriately adjusted for size, fuel  
6 source and location. An engineering design of a hy-  
7 pothetical supercritical pulverized coal unit shall not  
8 be required to establish the incremental costs.

9 “(2) For an eligible unit that is a new indus-  
10 trial unit, the incremental costs shall be the amount  
11 by which the costs incurred by the taxpayer for the  
12 unit exceed the costs of construction of a comparable  
13 industrial unit without carbon capture and seques-  
14 tration.

15 “(3) For an eligible unit that retrofits a carbon  
16 capture, transportation, and sequestration system on  
17 an existing generation or industrial unit, the incre-  
18 mental cost shall be the construction costs incurred  
19 by the taxpayer for the carbon capture and seques-  
20 tration system.

21 “(b) DEFINITIONS.—For purposes of this section, the  
22 term ‘eligible unit’ means an electric generation unit or  
23 industrial facility unit located in the United States that—

24 “(A) uses coal or petroleum coke for at least 75  
25 percent of the fuel used by the unit;

1           “(B) uses carbon capture technology to treat at  
2           least—

3                   “(i) 20 percent of the carbon dioxide emis-  
4                   sions of the unit; or

5                   “(ii) an amount of carbon dioxide emis-  
6                   sions that is attributable to 200 megawatts of  
7                   the total nameplate generating capacity of the  
8                   unit;

9           “(C) captures at least 80 percent of the carbon  
10           dioxide emissions from the treated emissions of the  
11           unit;

12           “(D) transports such captured carbon dioxide  
13           to a permanent geologic storage site in the United  
14           States or to a site on the North American continent  
15           for use for hydrocarbon recovery; and

16           “(E) provides for the permanent storage of  
17           such carbon dioxide in such site.

18           “(c) ELECTION.—No costs for which a credit has  
19           been provided under section 48A or section 48B shall be  
20           eligible for a credit under this section.”.

21           (2) CLERICAL AMENDMENT.—The table of con-  
22           tents for such subpart E is amended by adding at  
23           the end thereof the following:

“48E. Pioneer CCS facilities.”.

24           (3) EFFECTIVE DATE.—The amendments made  
25           by this subsection shall apply with respect to—

1 (A) new facilities placed in service after  
 2 December 31, 2010, and before January 1,  
 3 2025; and

4 (B) the retrofit of existing facilities that  
 5 commence operation with such retrofit after De-  
 6 cember 31, 2010, and before January 1, 2025.

7 **TITLE II—62 GW EARLY ADOPT-**  
 8 **ER PROGRAM; SEQUESTRA-**  
 9 **TION BONDS**

10 **SEC. 201. TAX CREDIT FOR EARLY ADOPTION OF CCS.**

11 (a) IN GENERAL.—Subpart D of part IV of sub-  
 12 chapter A of chapter 1 of the Internal Revenue Code of  
 13 1986 is amended by adding at the end thereof the fol-  
 14 lowing:

15 **“SEC. 45S. CREDIT FOR EARLY ADOPTION OF CCS.**

16 “(a) EARLY ADOPTION CREDIT.—For purposes of  
 17 section 38, the carbon dioxide sequestration credit for any  
 18 taxable year shall be the amount set forth in subsection  
 19 (b), in the case of certified new or retrofit electric utility  
 20 units or certified new or retrofit industrial units in pro-  
 21 viding for carbon capture and sequestration in secure geo-  
 22 logic storage, adjusted as provided in subsection (c).

23 “(b) DETERMINATION OF AMOUNT.—

24 “(1) 65 PERCENT CAPTURE RATE.—Except as  
 25 provided in paragraph (2) and adjusted in sub-

1 section (c), the amount of the credit under sub-  
2 section (a) shall be \$67 per ton of carbon dioxide  
3 captured and sequestered in the case of a certified  
4 new or retrofit electric utility unit or a certified new  
5 or retrofit industrial unit that—

6 “(A) is placed in service before January 1,

7 2025, and

8 “(B) captures and sequesters at least 65

9 percent of the carbon dioxide emissions in the

10 treated portion of the flue gas or fuel gas

11 stream.

12 “(2) HIGHER CAPTURE RATE.—The amount of

13 credit provided under paragraph (1) shall be in-

14 creased by \$1.15 per ton for each percent of addi-

15 tional carbon dioxide emissions captured and seques-

16 tered above such 65 percent capture rate, up to a

17 maximum credit of \$96 per ton for a capture and

18 sequestration rate of 90 percent or more.

19 “(c) ADJUSTMENT FOR LATER COMMENCEMENT.—

20 The amount of the credit determined under subsection (b)

21 shall be reduced by \$1 per ton of carbon dioxide for each

22 year after the calendar year 2024 in which the carbon cap-

23 ture and sequestration equipment is placed in service.

24 “(d) PLACED IN SERVICE.—For purposes of this sec-

25 tion, the term ‘placed in service’ with respect to a certified

1 new or retrofit electric utility unit or a certified new or  
2 retrofit industrial unit is the date on which such unit first  
3 captures and sequesters carbon dioxide in secure geologic  
4 storage.

5 “(e) CERTIFICATION OF 62 GW.—No credit shall be  
6 allowed under this section unless the electric utility unit  
7 or industrial unit with respect to which a credit is applied  
8 has been certified by the Secretary. Upon application of  
9 any taxpayer for certification under this section, the Sec-  
10 retary shall certify the unit in accordance with the certifi-  
11 cation program under subsection (g).

12 “(f) LIMITATION.—The Secretary shall certify eligi-  
13 ble new or retrofit units under this subsection which total  
14 in the aggregate no more than 62 gigawatts of treated  
15 generating capacity, of which not more than 10 percent  
16 of this capacity may be for industrial units. For purposes  
17 of determining gigawatt equivalency under this subsection,  
18 6 million metric tonnes per year of captured and seques-  
19 tered carbon dioxide emissions from industrial units shall  
20 be treated as having the capacity equivalent of 1 gigawatt  
21 of treated generating capacity.

22 “(g) CERTIFICATION PROGRAM.—

23 “(1) The Secretary shall establish a program  
24 for the certification of new or retrofit electric units  
25 and new or retrofit industrial units utilizing carbon

1 capture and sequestration technology eligible to  
2 apply for a credit under this section. A facility shall  
3 be certified only if the owner or operator of the  
4 unit—

5 “(A) specifies the capacity of the unit sub-  
6 ject to carbon capture and sequestration, and

7 “(B) commits to place the unit, or equip-  
8 ment in the case of a retrofit, in service within  
9 7 years after the date of the certification and  
10 to comply with such interim development mile-  
11 stones (including the issuance of all necessary  
12 Federal, State, and local permits) as the Sec-  
13 retary shall, by rule, prescribe.

14 “(2) Failure to comply with the 7-year date set  
15 forth in this subsection or with any significant mile-  
16 stone or other requirement established by the Sec-  
17 retary under paragraph (1) shall result in the termi-  
18 nation of the certification. The 7-year date shall be  
19 extended by the period of any delay caused by chal-  
20 lenges or litigation related to permits required for  
21 the facility. No unit for which a certification has  
22 been terminated shall be eligible for a new certifi-  
23 cation under this section.

24 “(h) APPLICATION OF SECTION.—The credit under  
25 this section shall apply to carbon dioxide captured and se-

1    questered in secure geologic storage from a certified new  
2    or retrofit electric utility unit or from a certified new or  
3    retrofit industrial unit. The taxpayer may claim the credit  
4    for a 10-year period commencing on the date the unit is  
5    placed in service.

6           “(i) OTHER CREDITS.—Carbon dioxide from equip-  
7    ment for which carbon dioxide storage credit has been al-  
8    lowed under section 45Q or an investment credit has been  
9    allowed under section 48E shall not be eligible for a credit  
10   under this section.

11           “(j) DEFINITIONS.—In this section:

12                   “(1) RETROFIT.—The term ‘retrofit’ means the  
13    application of carbon capture and sequestration  
14    technology to an existing unit, provided that such  
15    technology treats at least—

16                           “(A) 20 percent of the carbon dioxide  
17                           emissions of the unit; or

18                           “(B) an amount of carbon dioxide emis-  
19                           sions that is attributable to 200 megawatts of  
20                           the total nameplate generating capacity (or, in  
21                           the case of an industrial unit, an equivalent ca-  
22                           pacity).

23                   “(2) INDUSTRIAL UNIT.—The term ‘industrial  
24    unit’ means a unit that—

1           “(A) is not a qualifying electric generating  
2           unit;

3           “(B) uses coal or petroleum coke for at  
4           least 75 percent of the fuel used by the unit;  
5           and

6           “(C) absent carbon capture and sequestra-  
7           tion, would emit greater than 500,000 tons per  
8           year of carbon dioxide.

9           “(3) TREATED GENERATING CAPACITY.—The  
10          term ‘treated generating capacity’ means the portion  
11          of the total generating capacity of an electric gener-  
12          ating unit (or, in the case of an industrial unit, an  
13          equivalent capacity) for which the flue gas or fuel  
14          gas is treated by carbon capture and sequestration  
15          technology.”.

16          (b) CLERICAL AMENDMENT.—The table of sections  
17          for subpart D of part IV of subchapter A of chapter 1  
18          of the Internal Revenue Code of 1986 is amended by add-  
19          ing at the end thereof the following:

“45S. Credit for early adoption of CCS.”.

20          **SEC. 202. CARBON SEQUESTRATION BONDS.**

21          (a) IN GENERAL.—Part IV of subchapter A of chap-  
22          ter 1 of the Internal Revenue Code of 1986 is amended  
23          by adding at the end the following new subpart:

24                  **“Subpart K—Carbon Sequestration Bonds**

“Sec. 54BB. Carbon Sequestration bonds.

1 **“SEC. 54BB. CARBON SEQUESTRATION BONDS.**

2       “(a) IN GENERAL.—If a taxpayer holds a carbon se-  
3 questration bond on one or more interest payment dates  
4 of the bond during any taxable year, there shall be allowed  
5 as a credit against the tax imposed by this chapter for  
6 the taxable year an amount equal to the sum of the credits  
7 determined under subsection (b) with respect to such  
8 dates.

9       “(b) AMOUNT OF CREDIT.—The amount of the credit  
10 determined under this subsection with respect to any in-  
11 terest payment date for a carbon sequestration bond is  
12 70 percent of the amount of interest payable by the issuer  
13 with respect to such date.

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

15               “(1) IN GENERAL.—The credit allowed under  
16 subsection (a) for any taxable year shall not exceed  
17 the excess of—

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

21                       “(B) the sum of the credits allowable  
22                       under this part (other than subpart C and this  
23                       subpart).

24       “(2) CARRYOVER OF UNUSED CREDIT.—If the  
25 credit allowable under subsection (a) exceeds the  
26 limitation imposed by paragraph (1) for such taxable

1 year, such excess shall be carried to the succeeding  
 2 taxable year and added to the credit allowable under  
 3 subsection (a) for such taxable year (determined be-  
 4 fore the application of paragraph (1) for such suc-  
 5 ceeding taxable year).

6 “(d) CARBON SEQUESTRATION BOND.—

7 “(1) IN GENERAL.—For purposes of this sec-  
 8 tion, the term ‘carbon sequestration bond’ means  
 9 any obligation issued as part of an issue if—

10 “(A) 95 percent of the available project  
 11 proceeds (as defined in section 54A) of such  
 12 issue, in excess of the amounts in a reasonably  
 13 required reserve (within the meaning of section  
 14 150(a)(3)) for such issue, are to be used for  
 15 qualified carbon sequestration costs incurred by  
 16 public power providers or cooperative electric  
 17 companies,

18 “(B) the obligation is issued by a qualified  
 19 issuer, and

20 “(C) the issuer makes an irrevocable elec-  
 21 tion to have this section apply.

22 “(2) APPLICABLE RULES.—For purposes of ap-  
 23 plying paragraph (1)—

24 “(A) an issue shall not be treated as meet-  
 25 ing the requirements of paragraph (1) unless

1 the issue satisfies the requirements of section  
2 148 with respect to the proceeds of the issue,

3 “(B) for purposes of applying section 148  
4 to such an issue, the yield on a carbon seques-  
5 tration bond shall be determined without regard  
6 to the credit allowed under subsection (a),

7 “(C) an issue shall not be treated as meet-  
8 ing the requirements of this paragraph unless  
9 the issuer of the carbon sequestration bonds  
10 submits reports similar to the reports required  
11 under section 149(e), and

12 “(D) a bond shall not be treated as a car-  
13 bon sequestration bond if the issue price has  
14 more than a de minimis amount (determined  
15 under rules similar to the rules of section  
16 1273(a)(3)) of premium over the stated prin-  
17 cipal amount of the bond.

18 “(e) LIMITATION ON AMOUNT OF BONDS DES-  
19 IGNATED.—

20 “(1) IN GENERAL.—There is a national carbon  
21 sequestration bond limitation of \$5,000,000,000.

22 “(2) ALLOCATION BY SECRETARY.—The Sec-  
23 retary shall make allocations of the amount of the  
24 national carbon sequestration bond limitation in

1 such manner as the Secretary determines appro-  
2 priate.

3 “(f) INTEREST PAYMENT DATE.—For purposes of  
4 this section, the term ‘interest payment date’ means any  
5 date on which the holder of record of the carbon sequestra-  
6 tion bond is entitled to a payment of interest under such  
7 bond.

8 “(g) SPECIAL RULES.—

9 “(1) INTEREST ON CARBON SEQUESTRATION  
10 BONDS INCLUDIBLE IN GROSS INCOME FOR FED-  
11 ERAL INCOME TAX PURPOSES.—For purposes of this  
12 title, interest on any carbon sequestration bond shall  
13 be includible in gross income.

14 “(2) APPLICATION OF CERTAIN RULES.—Rules  
15 similar to the rules of subsections (f), (g), (h), and  
16 (i) of section 54A shall apply for purposes of the  
17 credit allowed under subsection (a).

18 “(h) SPECIAL RULE FOR QUALIFIED CARBON SE-  
19 QUESTRATION BONDS.—In the case of a qualified carbon  
20 sequestration bond—

21 “(1) ISSUER ALLOWED REFUNDABLE CRED-  
22 IT.—In lieu of any credit allowed under this section  
23 with respect to such bond, the issuer of such bond  
24 shall be allowed a credit as provided in section 6432.

1           “(2) QUALIFIED CARBON SEQUESTRATION  
2 BOND.—In this subsection, the term ‘qualified car-  
3 bon sequestration bond’ means any carbon seques-  
4 tration bond issued as part of an issue if the issuer  
5 makes an irrevocable election to have this subsection  
6 apply.

7           “(i) DEFINITIONS.—In this section:

8           “(1) QUALIFIED CARBON SEQUESTRATION  
9 COSTS.—The term ‘qualified carbon sequestration  
10 costs’ means the incremental costs for carbon cap-  
11 ture and sequestration systems as described in sec-  
12 tion 48E (without regard to any placed in service  
13 date), which systems are owned by a public power  
14 provider or a cooperative electric company.

15           “(2) PUBLIC POWER PROVIDER.—The term  
16 ‘public power provider’ means a State utility with a  
17 service obligation, as such terms are defined in sec-  
18 tion 217 of the Federal Power Act (as in effect on  
19 the date of the enactment of the Carbon Capture  
20 and Sequestration Deployment Revenue Act of  
21 2010).

22           “(3) COOPERATIVE ELECTRIC COMPANY.—The  
23 term ‘cooperative electric company’ means a mutual  
24 or cooperative electric company described in section  
25 501(c)(12) or section 1381 (a)(2)(C).



1 issuer) 65 percent of the interest payable under such bond  
2 on such date.

3 “(c) DEFINITIONS.—In this section:

4 “(1) INTEREST PAYMENT DATE.—The term ‘in-  
5 terest payment date’ means each date on which in-  
6 terest is payable by the issuer under the terms of  
7 the bond.

8 “(2) QUALIFIED CARBON SEQUESTRATION  
9 BOND.—The term ‘qualified carbon sequestration  
10 bond’ has the meaning given such term in section  
11 54BB(h)(2).

12 “(d) APPLICATION OF ARBITRAGE RULES.—For pur-  
13 poses of section 148, the yield on a qualified bond shall  
14 be reduced by the credit allowed under this section.”.

15 (c) CONFORMING AMENDMENTS.—

16 (1) Section 1324(b)(2) of title 31, United  
17 States Code, is amended by striking “or 6431” and  
18 inserting “6431, or 6432,”.

19 (2) Section 54A(c)(1)(B) of the Internal Rev-  
20 enue Code of 1986 is amended by striking “subparts  
21 C and J” and inserting “subparts C, J, and K”.

22 (3) Sections 54(c)(2), 1397E(c)(2), and  
23 1400N(l)(3)(B) of such Code are each amended by  
24 striking “and J” and inserting “J, and K”.

1           (4) Section 6211(b)(4)(A) of such Code is  
 2 amended by striking “and 6431” and inserting  
 3 “6431, and 6432”.

4           (5) Section 6401(b)(1) of such Code is amend-  
 5 ed by striking “and J” and inserting “J, and K”.

6           (6) The table of subparts for part IV of sub-  
 7 chapter A of chapter 1 of such Code is amended by  
 8 adding at the end the following new item:

                  “SUBPART K. CARBON SEQUESTRATION BONDS.”.

9           (7) The table of sections for subchapter B of  
 10 chapter 65 of such Code is amended by adding at  
 11 the end the following new item:

                  “Sec. 6432. Credit for qualified carbon sequestration bonds allowed to issuer.”.

12       (d) TRANSITIONAL COORDINATION WITH STATE  
 13 LAW.—Except as otherwise provided by a State after the  
 14 date of the enactment of this Act, the interest on any car-  
 15 bon sequestration bond (as defined in section 54BB of the  
 16 Internal Revenue Code of 1986, as added by this section)  
 17 and the amount of any credit determined under such sec-  
 18 tion with respect to such bond shall be treated for pur-  
 19 poses of the income tax laws of such State as being exempt  
 20 from Federal income tax.

21       (e) EFFECTIVE DATE.—The amendments made by  
 22 this section shall apply to obligations issued after the date  
 23 of the enactment of this Act.

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