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

IN THE HOUSE OF REPRESENTATIVES

Mr. RANGEL (for himself and [see attached list of cosponsors]) introduced the following bill; which was referred to the Committee on

A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the “Energy and Tax Extenders Act of 2008”.

May 14, 2008 (1:55 p.m.)
(b) REFERENCE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

e) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—ENERGY TAX INCENTIVES

Subtitle A—Energy Production Incentives

PART I—RENEWABLE ENERGY INCENTIVES

Sec. 101. Renewable energy credit.
Sec. 102. Production credit for electricity produced from marine renewables.
Sec. 103. Energy credit.
Sec. 104. Credit for residential energy efficient property.
Sec. 105. Special rule to implement FERC and State electric restructuring policy.
Sec. 106. New clean renewable energy bonds.

PART II—CARBON MITIGATION PROVISIONS

Sec. 111. Expansion and modification of advanced coal project investment credit.
Sec. 112. Expansion and modification of coal gasification investment credit.
Sec. 113. Temporary increase in coal excise tax.
Sec. 114. Special rules for refund of the coal excise tax to certain coal producers and exporters.
Sec. 115. Carbon audit of the tax code.


Sec. 121. Credit for production of cellulosic biofuel.
Sec. 122. Inclusion of cellulosic biofuel in bonus depreciation for biomass ethanol plant property.
Sec. 123. Credits for biodiesel and renewable diesel.
Sec. 124. Modification of alcohol credit.
Sec. 125. Calculation of volume of alcohol for fuel credits.
Sec. 126. Clarification that credits for fuel are designed to provide an incentive for United States production.
Sec. 127. Credit for new qualified plug-in electric drive motor vehicles.
Sec. 128. Exclusion from heavy truck tax for idling reduction units and advanced insulation.
Sec. 129. Restructuring of New York Liberty Zone tax credits.
Sec. 130. Transportation fringe benefit to bicycle commuters.
Sec. 131. Alternative fuel vehicle refueling property credit.
Sec. 132. Comprehensive study of biofuels.


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

TITLE II—ONE-YEAR EXTENSION OF TEMPORARY PROVISIONS

Subtitle A—Extensions Primarily Affecting Individuals

Sec. 201. Deduction for State and local sales taxes.
Sec. 203. Treatment of certain dividends of regulated investment companies.
Sec. 204. Qualified conservation contributions.
Sec. 205. Tax-free distributions from individual retirement plans for charitable purposes.
Sec. 206. Deduction for certain expenses of elementary and secondary school teachers.
Sec. 207. Election to include combat pay as earned income for purposes of earned income tax credit.
Sec. 208. Modification of mortgage revenue bonds for veterans.
Sec. 209. Distributions from retirement plans to individuals called to active duty.
Sec. 210. Stock in RIC for purposes of determining estates of nonresidents not citizens.
Sec. 211. Qualified investment entities.
Sec. 212. Exclusion of amounts received under qualified group legal services plans.

Subtitle B—Extensions Primarily Affecting Businesses

Sec. 221. Research credit.
Sec. 222. Indian employment credit.
Sec. 223. New markets tax credit.
Sec. 224. Railroad track maintenance.
Sec. 225. Fifteen-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant property.
Sec. 226. Seven-year cost recovery period for motorsports racing track facility.
Sec. 227. Accelerated depreciation for business property on Indian reservation.
Sec. 228. Expensing of environmental remediation costs.
Sec. 229. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
Sec. 230. Modification of tax treatment of certain payments to controlling exempt organizations.
Sec. 231. Qualified zone academy bonds.
Sec. 233. Economic development credit for American Samoa.
Sec. 234. Enhanced charitable deduction for contributions of food inventory.
Sec. 236. Enhanced deduction for qualified computer contributions.
Sec. 237. Basis adjustment to stock of S corporations making charitable contributions of property.
Sec. 238. Work opportunity tax credit for Hurricane Katrina employees.
Sec. 239. Subpart F exception for active financing income.
Sec. 240. Look-thru rule for related controlled foreign corporations.
Sec. 241. Expensing for certain qualified film and television productions.

Subtitle C—Other Extensions
Sec. 251. Authority to disclose information related to terrorist activities made permanent.
Sec. 252. Authority for undercover operations made permanent.
Sec. 253. Authority to disclose return information for certain veterans programs made permanent.
Sec. 254. Increase in limit on cover over of run excise tax to Puerto Rico and the Virgin Islands.

TITLE III—ADDITIONAL TAX RELIEF
Subtitle A—Individual Tax Relief
Sec. 301. Additional standard deduction for real property taxes for non-itemizers.
Sec. 302. Refundable child credit.
Sec. 303. Increase of AMT refundable credit amount for individuals with long-term unused credits for prior year minimum tax liability, etc.

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

Subtitle C—Modification of Penalty on Understatement of Taxpayer's Liability by Tax Return Preparer
Sec. 321. Modification of penalty on understatement of taxpayer's liability by tax return preparer.

Subtitle D—Extension and Expansion of Certain GO Zone Incentives
Sec. 331. Certain GO Zone incentives.

TITLE IV—REVENUE PROVISIONS
Sec. 401. Nonqualified deferred compensation from certain tax indifferent parties.
Sec. 402. Delay in application of worldwide allocation of interest.
Sec. 403. Time for payment of corporate estimated taxes.
TITLE I—ENERGY TAX
INCENTIVES
Subtitle A—Energy Production
Incentives
PART I—RENEWABLE ENERGY INCENTIVES
SEC. 101. RENEWABLE ENERGY CREDIT.
(a) EXTENSION OF CREDIT.—
(1) 1-YEAR EXTENSION FOR WIND FACILITIES.—Paragraph (1) of section 45(d) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.
(2) 3-YEAR EXTENSION FOR CERTAIN OTHER FACILITIES.—Each of the following provisions of section 45(d) is amended by striking “January 1, 2009” and inserting “January 1, 2012”:
(A) Clauses (i) and (ii) of paragraph (2)(A).
(B) Clauses (i)(I) and (ii) of paragraph (3)(A).
(C) Paragraph (4).
(D) Paragraph (5).
(E) Paragraph (6).
(F) Paragraph (7).
(G) Subparagraphs (A) and (B) of paragraph (9).
(b) Modification of Credit Phaseout.—

(1) Repeal of Phaseout.—Subsection (b) of section 45 is amended—

(A) by striking paragraph (1), and

(B) by striking “the 8 cent amount in paragraph (1),” in paragraph (2) thereof.

(2) Limitation Based on Investment in Facility.—Subsection (b) of section 45 is amended by inserting before paragraph (2) the following new paragraph:

“(1) Limitation Based on Investment in Facility.—

(A) In General.—In the case of any qualified facility originally placed in service after December 31, 2009, the amount of the credit determined under subsection (a) for any taxable year with respect to electricity produced at such facility shall not exceed the product of—

(i) the applicable percentage with respect to such facility, multiplied by

(ii) the eligible basis of such facility.

(B) Carryforward of Unused Limitation and Excess Credit.—
"(i) Unused Limitation.—If the limitation imposed under subparagraph (A) with respect to any facility for any taxable year exceeds the prelimitation credit for such facility for such taxable year, the limitation imposed under subparagraph (A) with respect to such facility for the succeeding taxable year shall be increased by the amount of such excess.

"(ii) Excess Credit.—If the prelimitation credit with respect to any facility for any taxable year exceeds the limitation imposed under subparagraph (A) with respect to such facility for such taxable year, the credit determined under subsection (a) with respect to such facility for the succeeding taxable year (determined before the application of subparagraph (A) for such succeeding taxable year) shall be increased by the amount of such excess.

With respect to any facility, no amount may be carried forward under this clause to any taxable year beginning after the 10-year period described in subsection (a)(2)(A)(ii) with respect to such facility.
“(iii) Prelimitation Credit.—The term ‘prelimitation credit’ with respect to any facility for a taxable year means the credit determined under subsection (a) with respect to such facility for such taxable year, determined without regard to subparagraph (A) and after taking into account any increase for such taxable year under clause (ii).

“(C) Applicable Percentage.—For purposes of this paragraph—

“(i) In General.—The term ‘applicable percentage’ means, with respect to any facility, the appropriate percentage prescribed by the Secretary for the month in which such facility is originally placed in service.

“(ii) Method of Prescribing Applicable Percentages.—The applicable percentages prescribed by the Secretary for any month under clause (i) shall be percentages which yield over a 10-year period amounts of limitation under subparagraph (A) which have a present value equal to 35 percent of the eligible basis of the facility.
“(iii) Method of Discounting.—

The present value under clause (ii) shall be determined—

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

“(II) by using a discount rate equal to the greater of 110 percent of the Federal long-term rate as in effect under section 1274(d) for the month preceding the month for which the applicable percentage is being prescribed, or 4.5 percent, and

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

“(D) Eligible Basis.—For purposes of this paragraph—

“(i) In General.—The term ‘eligible basis’ means, with respect to any facility, the sum of—

“(I) the basis of such facility determined as of the time that such facility is originally placed in service,
"(II) the portion of the basis of any shared qualified property which is properly allocable to such facility under clause (ii).

"(ii) Rules for allocation.—For purposes of subclause (II) of clause (i), the basis of shared qualified property shall be allocated among all qualified facilities which are projected to be placed in service and which require utilization of such property in proportion to projected generation from such facilities.

"(iii) Shared qualified property.—For purposes of this paragraph, the term ‘shared qualified property’ means, with respect to any facility, any property described in section 168(e)(3)(B)(vi)—

"(I) which a qualified facility will require for utilization of such facility,

and

"(II) which is not a qualified facility.

"(iv) Special rule relating to geothermal facilities.—In the case of any qualified facility using geothermal en-
ergy to produce electricity, the basis of
such facility for purposes of this paragraph
shall be determined as though intangible
drilling and development costs described in
section 263(e) were capitalized rather than
expensed.

"(E) SPECIAL RULE FOR FIRST AND LAST
YEAR OF CREDIT PERIOD.—In the case of any
taxable year any portion of which is not within
the 10-year period described in subsection
(a)(2)(A)(ii) with respect to any facility, the
amount of the limitation under subparagraph
(A) with respect to such facility shall be re-
duced by an amount which bears the same ratio
to the amount of such limitation (determined
without regard to this subparagraph) as such
portion of the taxable year which is not within
such period bears to the entire taxable year.

"(F) ELECTION TO TREAT ALL FACILITIES
PLACED IN SERVICE IN A YEAR AS 1 FACIL-
ITY.—At the election of the taxpayer, all quali-
ified facilities which are part of the same project
and which are placed in service during the same
calendar year shall be treated for purposes of
this section as 1 facility which is placed in serv-
ice at the mid-point of such year or the first
day of the following calendar year.”
(c) TRASH FACILITY CLARIFICATION.—Paragraph
(7) of section 45(d) is amended—
(1) by striking “facility which burns” and in-
serting “facility (other than a facility described in
paragraph (6)) which uses”, and
(2) by striking “COMBUSTION”.
(d) EXPANSION OF BIOMASS FACILITIES.—
(1) OPEN-LOOP BIOMASS FACILITIES.—Para-
graph (3) of section 45(d) is amended by redesig-
nating subparagraph (B) as subparagraph (C) and
by inserting after subparagraph (A) the following
new subparagraph:
“(B) EXPANSION OF FACILITY.—Such
term shall include a new unit placed in service
after the date of the enactment of this subpara-
graph in connection with a facility described in
subparagraph (A), but only to the extent of the
increased amount of electricity produced at the
facility by reason of such new unit.”.
(2) CLOSED-LOOP BIOMASS FACILITIES.—Para-
graph (2) of section 45(d) is amended by redesign-
nating subparagraph (B) as subparagraph (C) and
inserting after subparagraph (A) the following new
subparagraph:

"(B) Expansion of facility.—Such
term shall include a new unit placed in service
after the date of the enactment of this subpara-
graph in connection with a facility described in
subparagraph (A)(i), but only to the extent of
the increased amount of electricity produced at
the facility by reason of such new unit."

(e) Sales of Net Electricity to Regulated
Public Utilities Treated as Sales to Unrelated
Persons.—Paragraph (4) of section 45(e) is amended by
adding at the end the following new sentence: "The net
amount of electricity sold by any taxpayer to a regulated
public utility (as defined in section 7701(a)(33)) shall be
treated as sold to an unrelated person."

(f) Modification of Rules for Hydropower
Production.—Subparagraph (C) of section 45(c)(8) is
amended to read as follows:

"(C) Nonhydroelectric Dam.—For pur-
poses of subparagraph (A), a facility is de-
scribed in this subparagraph if—

"(i) the hydroelectric project installed
on the nonhydroelectric dam is licensed by
the Federal Energy Regulatory Commis-
sion and meets all other applicable environmental, licensing, and regulatory requirements,

"(ii) the nonhydroelectric dam was placed in service before the date of the enactment of this paragraph and operated for flood control, navigation, or water supply purposes and did not produce hydroelectric power on the date of the enactment of this paragraph, and

"(iii) the hydroelectric project is operated so that the water surface elevation at any given location and time that would have occurred in the absence of the hydroelectric project is maintained, subject to any license requirements imposed under applicable law that change the water surface elevation for the purpose of improving environmental quality of the affected waterway.

The Secretary, in consultation with the Federal Energy Regulatory Commission, shall certify if a hydroelectric project licensed at a nonhydroelectric dam meets the criteria in clause (iii). Nothing in this section shall affect the stand-
ards under which the Federal Energy Regulatory Commission issues licenses for and regulates hydropower projects under part I of the Federal Power Act.'

(g) Effective Date.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to property originally placed in service after December 31, 2008.

(2) Repeal of credit phaseout.—The amendments made by subsection (b)(1) shall apply to taxable years ending after December 31, 2008.

(3) Limitation based on investment in facility.—The amendment made by subsection (b)(2) shall apply to property originally placed in service after December 31, 2009.

(4) Trash facility clarification; sales to related regulated public utilities.—The amendments made by subsections (c) and (e) shall apply to electricity produced and sold after the date of the enactment of this Act.

(5) Expansion of biomass facilities.—The amendments made by subsection (d) shall apply to property placed in service after the date of the enactment of this Act.
SEC. 102. PRODUCTION CREDIT FOR ELECTRICITY PRODUCED FROM MARINE RENEWABLES.

(a) In General.—Paragraph (1) of section 45(e) is amended by striking “and” at the end of subparagraph (G), by striking the period at the end of subparagraph (H) and inserting “, and”, and by adding at the end the following new subparagraph:

“(I) marine and hydrokinetic renewable energy.”.

(b) Marine Renewables.—Subsection (e) of section 45 is amended by adding at the end the following new paragraph:

“(10) Marine and Hydrokinetic Renewable Energy.—

“(A) In General.—The term ‘marine and hydrokinetic renewable energy’ means energy derived from—

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

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

“(iii) free flowing water in an irrigation system, canal, or other man-made channel, including projects that utilize non-mechanical structures to accelerate the
flow of water for electric power production purposes, or

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

“(B) EXCEPTIONS.—Such term shall not include any energy which is derived from any source which utilizes a dam, diversionary structure (except as provided in subparagraph (A)(iii)), or impoundment for electric power production purposes.”.

(c) DEFINITION OF FACILITY.—Subsection (d) of section 45 is amended by adding at the end the following new paragraph:

“(11) MARINE AND HYDROKINETIC RENEWABLE ENERGY FACILITIES.—In the case of a facility producing electricity from marine and hydrokinetic renewable energy, the term ‘qualified facility’ means any facility owned by the taxpayer—

“(A) which has a nameplate capacity rating of at least 150 kilowatts, and

“(B) which is originally placed in service on or after the date of the enactment of this paragraph and before January 1, 2012.”.
(d) **CREDIT RATE.**—Subparagraph (A) of section 45(b)(4) is amended by striking “or (9)” and inserting “(9), or (11)”.

(e) **COORDINATION WITH SMALL IRRIGATION POWER.**—Paragraph (5) of section 45(d), as amended by section 101, is amended by striking “January 1, 2012” and inserting “the date of the enactment of paragraph (11)”.

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

**SEC. 103. ENERGY CREDIT.**

(a) **EXTENSION OF CREDIT.**—

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

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

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

May 14, 2008 (1:55 p.m.)
(b) Allowance of Energy Credit Against Alternative Minimum Tax.—Subparagraph (B) of section 38(c)(4) is amended by striking “and” at the end of clause (iii), by redesignating clause (iv) as clause (v), and by inserting after clause (iii) the following new clause:

“(iv) the credit determined under section 46 to the extent that such credit is attributable to the energy credit determined under section 48, and”.

c) Energy Credit for Combined Heat and Power System Property.—

(1) In General.—Section 48(a)(3)(A) (defining energy property) is amended by striking “or” at the end of clause (iii), by inserting “or” at the end of clause (iv), and by adding at the end the following new clause:

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

(2) Combined Heat and Power System Property.—Section 48 is amended by adding at the end the following new subsection:

“(d) Combined Heat and Power System Property.—For purposes of subsection (a)(3)(A)(v)—

“(1) Combined heat and power system property.—The term ‘combined heat and power
system property means property comprising a system—

"(A) which uses the same energy source for the simultaneous or sequential generation of electrical power, mechanical shaft power, or both, in combination with the generation of steam or other forms of useful thermal energy (including heating and cooling applications),

"(B) which produces—

"(i) at least 20 percent of its total useful energy in the form of thermal energy which is not used to produce electrical or mechanical power (or combination thereof), and

"(ii) at least 20 percent of its total useful energy in the form of electrical or mechanical power (or combination thereof),

"(C) the energy efficiency percentage of which exceeds 60 percent, and

"(D) which is placed in service before January 1, 2015.

"(2) LIMITATION.—

"(A) IN GENERAL.—In the case of combined heat and power system property with an electrical capacity in excess of the applicable ca-
capacity placed in service during the taxable year, the credit under subsection (a)(1) (determined without regard to this paragraph) for such year shall be equal to the amount which bears the same ratio to such credit as the applicable capacity bears to the capacity of such property.

"(B) APPLICABLE CAPACITY.—For purposes of subparagraph (A), the term ‘applicable capacity’ means 15 megawatts or a mechanical energy capacity of more than 20,000 horsepower or an equivalent combination of electrical and mechanical energy capacities.

"(C) MAXIMUM CAPACITY.—The term ‘combined heat and power system property’ shall not include any property comprising a system if such system has a capacity in excess of 50 megawatts or a mechanical energy capacity in excess of 67,000 horsepower or an equivalent combination of electrical and mechanical energy capacities.

"(3) SPECIAL RULES.—

"(A) ENERGY EFFICIENCY PERCENTAGE.—For purposes of this subsection, the energy efficiency percentage of a system is the fraction—
“(i) the numerator of which is the total useful electrical, thermal, and mechanical power produced by the system at normal operating rates, and expected to be consumed in its normal application, and

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

“(B) DETERMINATIONS MADE ON BTU BASIS.—The energy efficiency percentage and the percentages under paragraph (1)(B) shall be determined on a Btu basis.

“(C) INPUT AND OUTPUT PROPERTY NOT INCLUDED.—The term ‘combined heat and power system property’ does not include property used to transport the energy source to the facility or to distribute energy produced by the facility.

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

“(A) paragraph (1)(C) shall not apply, but
"(B) the amount of credit determined under subsection (a) with respect to such system shall not exceed the amount which bears the same ratio to such amount of credit (determined without regard to this paragraph) as the energy efficiency percentage of such system bears to 60 percent."

(d) INCREASE OF CREDIT LIMITATION FOR FUEL CELL PROPERTY.—Subparagraph (B) of section 48(c)(1) is amended by striking "$500" and inserting "$1,500".

(e) PUBLIC UTILITY PROPERTY TAKEN INTO ACCOUNT.—

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

(2) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 48(e) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

(B) Paragraph (2) of section 48(e) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

(f) EFFECTIVE DATE.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—The amendments made by subsection (b) shall apply to credits determined under section 46 of the Internal Revenue Code of 1986 in taxable years beginning after the date of the enactment of this Act and to carrybacks of such credits.

(3) COMBINED HEAT AND POWER AND FUEL CELL PROPERTY.—The amendments made by subsections (c) and (d) shall apply to periods after the date of the enactment of this Act, in taxable years ending after such date, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

(4) PUBLIC UTILITY PROPERTY.—The amendments made by subsection (e) shall apply to periods after February 13, 2008, in taxable years ending after such date, under rules similar to the rules of section 48(m) of the Internal Revenue Code of 1986.
as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990).

SEC. 104. CREDIT FOR RESIDENTIAL ENERGY EFFICIENT PROPERTY.

(a) EXTENSION.—Section 25D(g) is amended by striking "December 31, 2008" and inserting "December 31, 2014".

(b) MAXIMUM CREDIT FOR SOLAR ELECTRIC PROPERTY.—

(1) IN GENERAL.—Section 25D(b)(1)(A) is amended by striking "$2,000" and inserting "$4,000".

(2) CONFORMING AMENDMENT.—Section 25D(e)(4)(A)(i) is amended by striking "$6,667" and inserting "$13,333".

(c) CREDIT FOR RESIDENTIAL WIND PROPERTY.—

(1) IN GENERAL.—Section 25D(a) is amended by striking "and" at the end of paragraph (2), by striking the period at the end of paragraph (3) and inserting "and", and by adding at the end the following new paragraph:

"(4) 30 percent of the qualified small wind energy property expenditures made by the taxpayer during such year."
26  (2) LIMITATION.—Section 25D(b)(1) is amended by striking “and” at the end of subparagraph (B), by striking the period at the end of subparagraph (C) and inserting “, and”, and by adding at the end the following new subparagraph:

“(D) $500 with respect to each half kilowatt of capacity (not to exceed $4,000) of wind turbines for which qualified small wind energy property expenditures are made.”.

(3) QUALIFIED SMALL WIND ENERGY PROPERTY EXPENDITURES.—

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

“(4) QUALIFIED SMALL WIND ENERGY PROPERTY EXPENDITURE.—The term ‘qualified small wind energy property expenditure’ means an expenditure for property which uses a wind turbine to generate electricity for use in connection with a dwelling unit located in the United States and used as a residence by the taxpayer.”.

(B) NO DOUBLE BENEFIT.—Section 45(d)(1) is amended by adding at the end the following new sentence: “Such term shall not include any facility with respect to which any
qualified small wind energy property expenditure (as defined in subsection (d)(4) of section 25D) is taken into account in determining the credit under such section.”.

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

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

(d) CREDIT FOR GEOTHERMAL HEAT PUMP SYSTEMS.—

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

“(5) 30 percent of the qualified geothermal heat pump property expenditures made by the taxpayer during such year.”.
(2) LIMITATION.—Section 25D(b)(1), as amended by subsection (e), is amended by striking “and” at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting “, and”, and by adding at the end the following new subparagraph:

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

(3) QUALIFIED GEOTHERMAL HEAT PUMP PROPERTY EXPENDITURE.—Section 25D(d), as amended by subsection (c), is amended by adding at the end the following new paragraph:

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

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

“(B) QUALIFIED GEOTHERMAL HEAT PUMP PROPERTY.—The term ‘qualified geothermal heat pump property’ means any equipment which—
"(i) uses the ground or ground water as a thermal energy source to heat the dwelling unit referred to in subparagraph (A) or as a thermal energy sink to cool such dwelling unit, and

"(ii) meets the requirements of the Energy Star program which are in effect at the time that the expenditure for such equipment is made."

(4) Maximum expenditures in case of joint occupancy.—Section 25D(e)(4)(A), as amended by subsection (e), is amended by striking "and" at the end of clause (iii), by striking the period at the end of clause (iv) and inserting ", and", and by adding at the end the following new clause:

"(v) $6,667 in the case of any qualified geothermal heat pump property expenditures."

(e) Credit allowed against alternative minimum tax.—

(1) In general.—Subsection (e) of section 25D is amended to read as follows:

"(e) Limitation based on amount of tax; carryforward of unused credit.—
“(1) LIMITATION BASED ON AMOUNT OF TAX.—In the case of a taxable year to which section 26(a)(2) does not apply, the credit allowed under subsection (a) for the taxable year shall not exceed the excess of—

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

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

“(2) CARRYFORWARD OF UNUSED CREDIT.—

“(A) RULE FOR YEARS IN WHICH ALL PERSONAL CREDITS ALLOWED AGAINST REGULAR AND ALTERNATIVE MINIMUM TAX.—In the case of a taxable year to which section 26(a)(2) applies, if the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a)(2) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.
"(B) Rule for Other Years.—In the
case of a taxable year to which section 26(a)(2)
does not apply, if the credit allowable under
subsection (a) exceeds the limitation imposed by
paragraph (1) for such taxable year, such ex-
cess shall be carried to the succeeding taxable
year and added to the credit allowable under
subsection (a) for such succeeding taxable
year.”.

(2) Conforming Amendments.—

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

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

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

(D) Section 26(a)(1) is amended by strik-
ing “and 25B” and inserting “25B, and 25D”.

(f) Effective Date.—

(1) In general.—The amendments made by
this section shall apply to taxable years beginning
(2) APPLICATION OF EGTRRA SUNSET.—The amendments made by subparagraphs (A) and (B) of subsection (e)(2) shall be subject to title IX of the Economic Growth and Tax Relief Reconciliation Act of 2001 in the same manner as the provisions of such Act to which such amendments relate.

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

(a) EXTENSION FOR QUALIFIED ELECTRIC UTILITIES.—

(1) IN GENERAL.—Paragraph (3) of section 451(i) is amended by inserting "(before January 1, 2010, in the case of a qualified electric utility)" after "January 1, 2008".

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

"(6) QUALIFIED ELECTRIC UTILITY.—For purposes of this subsection, the term 'qualified electric utility' means a person that, as of the date of the qualifying electric transmission transaction, is vertically integrated, in that it is both—"
"(A) a transmitting utility (as defined in section 3(23) of the Federal Power Act (16 U.S.C. 796(23))) with respect to the transmission facilities to which the election under this subsection applies, and

"(B) an electric utility (as defined in section 3(22) of the Federal Power Act (16 U.S.C. 796(22)))."

(b) Extension of Period for Transfer of Operational Control Authorized by FERC.—
Clause (ii) of section 451(i)(4)(B) is amended by striking "December 31, 2007" and inserting "the date which is 4 years after the close of the taxable year in which the transaction occurs".

c) Property Located Outside the United States Not Treated as Exempt Utility Property.—Paragraph (5) of section 451(i) is amended by adding at the end the following new subparagraph:

"(C) Exception for Property Located Outside the United States.—The term 'exempt utility property' shall not include any property which is located outside the United States."

(d) Effective Dates.—
(1) Extension.—The amendments made by subsection (a) shall apply to transactions after December 31, 2007.

(2) Transfers of Operational Control.—The amendment made by subsection (b) shall take effect as if included in section 909 of the American Jobs Creation Act of 2004.

(3) Exception for Property Located Outside the United States.—The amendment made by subsection (e) shall apply to transactions after the date of the enactment of this Act.

SEC. 106. NEW CLEAN RENEWABLE ENERGY BONDS.

(a) In General.—Part IV of subchapter A of chapter 1 is amended by adding at the end the following new subpart:

“Subpart I—Qualified Tax Credit Bonds

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

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

“SEC. 54A. CREDIT TO HOLDERS OF QUALIFIED TAX CREDIT BONDS.

“(a) Allowance of Credit.—If a taxpayer holds a qualified tax credit bond on one or more credit allowance dates of the bond during any taxable year, there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the
credits determined under subsection (b) with respect to such dates.

"(b) AMOUNT OF CREDIT.—

"(1) IN GENERAL.—The amount of the credit determined under this subsection with respect to any credit allowance date for a qualified tax credit bond is 25 percent of the annual credit determined with respect to such bond.

"(2) ANNUAL CREDIT.—The annual credit determined with respect to any qualified tax credit bond is the product of—

"(A) the applicable credit rate, multiplied by

"(B) the outstanding face amount of the bond.

"(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (2), the applicable credit rate is the rate which the Secretary estimates will permit the issuance of qualified tax credit bonds with a specified maturity or redemption date without discount and without interest cost to the qualified issuer. The applicable credit rate with respect to any qualified tax credit bond shall be determined as of the first day on which there is a binding, written contract for the sale or exchange of the bond.
“(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed or matures.

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

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

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

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

“(2) CARRYOVER OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by paragraph (1) for such taxable year, such excess shall be carried to the succeeding taxable year and added to the credit allowable under
subsection (a) for such taxable year (determined be-
fore the application of paragraph (1) for such suc-
ceeding taxable year).

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

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

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

“(A) IN GENERAL.—An issue shall be
treated as meeting the requirements of this
paragraph if, as of the date of issuance, the
issuer reasonably expects—

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

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

"(B) FAILURE TO SPEND REQUIRED
AMOUNT OF BOND PROCEEDS WITHIN 3
YEARS.—

"(i) IN GENERAL.—To the extent that
less than 100 percent of the available
project proceeds of the issue are expended
by the close of the expenditure period for
1 or more qualified purposes, the issuer
shall redeem all of the nonqualified bonds
within 90 days after the end of such pe-
riod. For purposes of this paragraph, the
amount of the nonqualified bonds required
to be redeemed shall be determined in the
same manner as under section 142.

"(ii) EXPENDITURE PERIOD.—For
purposes of this subpart, the term ‘expend-
iture period’ means, with respect to any
issue, the 3-year period beginning on the
date of issuance. Such term shall include
any extension of such period under clause
(iii).

"(iii) EXTENSION OF PERIOD.—Upon
submission of a request prior to the expira-
tion of the expenditure period (determined without regard to any extension under this clause), the Secretary may extend such period if the issuer establishes that the failure to expend the proceeds within the original expenditure period is due to reasonable cause and the expenditures for qualified purposes will continue to proceed with due diligence.

"(C) QUALIFIED PURPOSE.—For purposes of this paragraph, the term 'qualified purpose' means a purpose specified in section 54B(a)(1).

"(D) REIMBURSEMENT.—For purposes of this subtitle, available project proceeds of an issue shall be treated as spent for a qualified purpose if such proceeds are used to reimburse the issuer for amounts paid for a qualified purpose after the date that the Secretary makes an allocation of bond limitation with respect to such issue, but only if—

"(i) prior to the payment of the original expenditure, the issuer declared its intent to reimburse such expenditure with the proceeds of a qualified tax credit bond,
“(ii) not later than 60 days after payment of the original expenditure, the issuer adopts an official intent to reimburse the original expenditure with such proceeds, and

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

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

“(4) SPECIAL RULES RELATING TO ARBITRAGE.—

“(A) IN GENERAL.—An issue shall be treated as meeting the requirements of this paragraph if the issuer satisfies the requirements of section 148 with respect to the proceeds of the issue.

“(B) SPECIAL RULE FOR INVESTMENTS DURING EXPENDITURE PERIOD.—An issue shall not be treated as failing to meet the requirements of subparagraph (A) by reason of any investment of available project proceeds during the expenditure period.
“(C) Special rule for reserve funds.—An issue shall not be treated as failing to meet the requirements of subparagraph (A) by reason of any fund which is expected to be used to repay such issue if—

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

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

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

“(5) Maturity limitation.—

“(A) In general.—An issue shall not be treated as meeting the requirements of this paragraph if the maturity of any bond which is part of such issue exceeds the maximum term determined by the Secretary under subparagraph (B).

“(B) Maximum term.—During each calendar month, the Secretary shall determine the maximum term permitted under this paragraph
for bonds issued during the following calendar month. Such maximum term shall be the term
which the Secretary estimates will result in the present value of the obligation to repay the
principal on the bond being equal to 50 percent of the face amount of such bond. Such present
value shall be determined using as a discount rate the average annual interest rate of tax-ex-
empt obligations having a term of 10 years or more which are issued during the month. If the
term as so determined is not a multiple of a whole year, such term shall be rounded to the
next highest whole year.

"(6) PROHIBITION ON FINANCIAL CONFLICTS
OF INTEREST.—An issue shall be treated as meeting the requirements of this paragraph if the issuer cer-
tifies that—

"(A) applicable State and local law re-
quirements governing conflicts of interest are satisfied with respect to such issue, and

"(B) if the Secretary prescribes additional
conflicts of interest rules governing the appro-
riate Members of Congress, Federal, State,
and local officials, and their spouses, such addi-
tional rules are satisfied with respect to such
issue.

"(e) OTHER DEFINITIONS.—For purposes of this
subchapter—

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

"(A) March 15,
"(B) June 15,
"(C) September 15, and
"(D) December 15.

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

"(2) BOND.—The term ‘bond’ includes any ob-
ligation.

"(3) STATE.—The term ‘State’ includes the
District of Columbia and any possession of the
United States.

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

"(A) the excess of—

"(i) the proceeds from the sale of an
issue, over

"(ii) the issuance costs financed by
the issue (to the extent that such costs do
not exceed 2 percent of such proceeds),

and

"(B) the proceeds from any investment of

the excess described in subparagraph (A).

"(f) CREDIT TREATED AS INTEREST.—For purposes

of this subtitle, the credit determined under subsection (a)

shall be treated as interest which is includible in gross in-

come.

"(g) S CORPORATIONS AND PARTNERSHIPS.—In the

case of a tax credit bond held by an S corporation or part-

nership, the allocation of the credit allowed by this section

to the shareholders of such corporation or partners of such

partnership shall be treated as a distribution.

"(h) BONDS HELD BY REGULATED INVESTMENT

COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

If any qualified tax credit bond is held by a regulated in-

vestment company or a real estate investment trust, the

credit determined under subsection (a) shall be allowed to

shareholders of such company or beneficiaries of such

trust (and any gross income included under subsection (f)

with respect to such credit shall be treated as distributed

to such shareholders or beneficiaries) under procedures

prescribed by the Secretary.

"(i) CREDITS MAY BE STRIPPED.—Under regula-

tions prescribed by the Secretary—
“(1) In general.—There may be a separation (including at issuance) of the ownership of a qualified tax credit bond and the entitlement to the credit under this section with respect to such bond. In case of any such separation, the credit under this section shall be allowed to the person who on the credit allowance date holds the instrument evidencing the entitlement to the credit and not to the holder of the bond.

“(2) Certain rules to apply.—In the case of a separation described in paragraph (1), the rules of section 1286 shall apply to the qualified tax credit bond as if it were a stripped bond and to the credit under this section as if it were a stripped coupon.

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

“(a) New clean renewable energy bond.—For purposes of this subpart, the term ‘new clean renewable energy bond’ means any bond issued as part of an issue if—

“(1) 100 percent of the available project proceeds of such issue are to be used for capital expenditures incurred by public power providers or cooperative electric companies for one or more qualified renewable energy facilities,
“(2) the bond is issued by a qualified issuer, and

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

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

“(c) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(1) IN GENERAL.—The maximum aggregate face amount of bonds which may be designated under subsection (a) by any issuer shall not exceed the limitation amount allocated under this subsection to such issuer.

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

“(A) not more than 33 1/3 percent thereof may be allocated to qualified projects of public power providers,
“(B) not more than 33 1/3 percent thereof may be allocated to qualified projects of governmental bodies, and

“(C) not more than 33 1/3 percent thereof may be allocated to qualified projects of cooperative electric companies.

“(3) METHOD OF ALLOCATION.—

“(A) ALLOCATION AMONG PUBLIC POWER PROVIDERS.—After the Secretary determines the qualified projects of public power providers which are appropriate for receiving an allocation of the national new clean renewable energy bond limitation, the Secretary shall, to the maximum extent practicable, make allocations among such projects in such manner that the amount allocated to each such project bears the same ratio to the cost of such project as the limitation under paragraph (2)(A) bears to the cost of all such projects.

“(B) ALLOCATION AMONG GOVERNMENTAL BODIES AND COOPERATIVE ELECTRIC COMPANIES.—The Secretary shall make allocations of the amount of the national new clean renewable energy bond limitation described in paragraphs (2)(B) and (2)(C) among qualified projects of
governmental bodies and cooperative electric companies, respectively, in such manner as the Secretary determines appropriate.

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

“(1) QUALIFIED RENEWABLE ENERGY FACILITY.—The term ‘qualified renewable energy facility’ means a qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and to any placed in service date) owned by a public power provider, a governmental body, or a cooperative electric company.

“(2) PUBLIC POWER PROVIDER.—The term ‘public power provider’ means a State utility with a service obligation, as such terms are defined in section 217 of the Federal Power Act (as in effect on the date of the enactment of this paragraph).

“(3) GOVERNMENTAL BODY.—The term ‘governmental body’ means any State or Indian tribal government, or any political subdivision thereof.

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

“(5) CLEAN RENEWABLE ENERGY BOND LENDER.—The term ‘clean renewable energy bond lender’
means a lender which is a cooperative which is owned by, or has outstanding loans to, 100 or more cooperative electric companies and is in existence on February 1, 2002, and shall include any affiliated entity which is controlled by such lender.

“(6) QUALIFIED ISSUER.—The term ‘qualified issuer’ means a public power provider, a cooperative electric company, a governmental body, a clean renewable energy bond lender, or a not-for-profit electric utility which has received a loan or loan guarantee under the Rural Electrification Act.”.

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

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

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

“(B) REPORTING TO CORPORATIONS, ETC.—Except as otherwise provided in regulations, in the case of any interest described in
subparagraph (A) of this paragraph, subsection (b)(4) of this section shall be applied without regard to subparagraphs (A), (H), (I), (J), (K), and (L)(i).

"(C) REGULATORY AUTHORITY.—The Secretary may prescribe such regulations as are necessary or appropriate to carry out the purposes of this paragraph, including regulations which require more frequent or more detailed reporting."

(c) CONFORMING AMENDMENTS.—

(1) Sections 54(c)(2) and 1400N(I)(3)(B) are each amended by striking "subpart C" and inserting "subparts C and I".

(2) Section 1397E(c)(2) is amended by striking "subpart II" and inserting "subparts H and I".

(3) Section 6401(b)(1) is amended by striking "and H" and inserting "H, and I".

(4) The heading of subpart H of part IV of subchapter A of chapter 1 is amended by striking "Certain Bonds" and inserting "Clean Renewable Energy Bonds".

(5) The table of subparts for part IV of subchapter A of chapter 1 is amended by striking the
item relating to subpart H and inserting the follow-
new items:

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

"SUBPART I. QUALIFIED TAX CREDIT BONDS."

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

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

PART II—CARBON MITIGATION PROVISIONS

SEC. 111. EXPANSION AND MODIFICATION OF ADVANCED
COAL PROJECT INVESTMENT CREDIT.

(a) MODIFICATION OF CREDIT AMOUNT.—Section
48A(a) is amended by striking "and" at the end of para-
graph (1), by striking the period at the end of paragraph
(2) and inserting "; and", and by adding at the end the
following new paragraph:

"(3) 30 percent of the qualified investment for
such taxable year in the case of projects described
in clause (iii) of subsection (d)(3)(B).".
(b) EXPANSION OF AGGREGATE CREDITS.—Section 48A(d)(3)(A) is amended by striking "$1,300,000,000" and inserting "$2,550,000,000".

(c) AUTHORIZATION OF ADDITIONAL PROJECTS.—

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

"(B) PARTICULAR PROJECTS.—Of the dollar amount in subparagraph (A), the Secretary is authorized to certify—

"(i) $800,000,000 for integrated gasification combined cycle projects the application for which is submitted during the period described in paragraph (2)(A)(i),

"(ii) $500,000,000 for projects which use other advanced coal-based generation technologies the application for which is submitted during the period described in paragraph (2)(A)(i), and

"(iii) $1,250,000,000 for advanced coal-based generation technology projects the application for which is submitted during the period described in paragraph (2)(A)(ii)."."
(2) APPLICATION PERIOD FOR ADDITIONAL PROJECTS.—Subparagraph (A) of section 48A(d)(2) is amended to read as follows:

"(A) APPLICATION PERIOD.—Each applicant for certification under this paragraph shall submit an application meeting the requirements of subparagraph (B). An applicant may only submit an application—

"(i) for an allocation from the dollar amount specified in clause (i) or (ii) of paragraph (3)(B) during the 3-year period beginning on the date the Secretary establishes the program under paragraph (1), and

"(ii) for an allocation from the dollar amount specified in paragraph (3)(B)(iii) during the 3-year period beginning at the earlier of the termination of the period described in clause (i) or the date prescribed by the Secretary."

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

(A) IN GENERAL.—Section 48A(e)(1) is amended by striking "and" at the end of subparagraph (E), by striking the period at the
end of subparagraph (F) and inserting "; and",
and by adding at the end the following new sub-
paragraph:

"(G) in the case of any project the applica-
tion for which is submitted during the period
described in subsection (d)(2)(A)(ii), the project
includes equipment which separates and sequest-
ters at least 65 percent (70 percent in the case
of an application for reallocated credits under
subsection (d)(4)) of such project’s total carbon
dioxide emissions.”.

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

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

(C) RECAPTURE OF CREDIT FOR FAILURE
TO SEQUESTER.—Section 48A is amended by
adding at the end the following new subsection:
“(h) **Recapture of Credit for Failure to Sequester.**—The Secretary shall provide for recapturing the benefit of any credit allowable under subsection (a) with respect to any project which fails to attain or maintain the separation and sequestration requirements of subsection (e)(1)(G).”

(4) **Additional Priority for Research Partnerships.**—Section 48A(e)(3)(B), as amended by paragraph (3)(B), is amended—

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

(B) by redesignating clause (iii) as clause (iv), and

(C) by inserting after clause (ii) the following new clause:

“(iii) applicant participants who have a research partnership with an eligible educational institution (as defined in section 529(e)(5)), and”.

(5) **Clerical Amendment.**—Section 48A(e)(3) is amended by striking “INTEGRATED GASIFICATION COMBINED CYCLE” in the heading and inserting “CERTAIN”.

(d) **Competitive Certification Awards Modification Authority.**—Section 48A, as amended by sub-
section (c)(3), is amended by adding at the end the following new subsection:

"(i) COMPETITIVE CERTIFICATION AWARDS MODIFICATION AUTHORITY.—In implementing this section or section 48B, the Secretary is directed to modify the terms of any competitive certification award and any associated closing agreement where such modification—

"(1) is consistent with the objectives of such section,

"(2) is requested by the recipient of the competitive certification award, and

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

unless the Secretary determines that the dollar amount of tax credits available to the taxpayer under such section would increase as a result of the modification or such modification would result in such project not being originally certified. In considering any such modification, the Secretary shall consult with other relevant Federal agencies, including the Department of Energy."

(e) DISCLOSURE OF ALLOCATIONS.—Section 48A(d) is amended by adding at the end the following new paragraph:
“(5) Disclosure of Allocations.—The Secretary shall, upon making a certification under this subsection or section 48B(d), publicly disclose the identity of the applicant and the amount of the credit certified with respect to such applicant.”

(f) Effective Dates.—

(1) In general.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to credits the application for which is submitted during the period described in section 48A(d)(2)(A)(ii) of the Internal Revenue Code of 1986 and which are allocated or reallocated after the date of the enactment of this Act.

(2) Competitive Certification Awards Modification Authority.—The amendment made by subsection (d) shall take effect on the date of the enactment of this Act and is applicable to all competitive certification awards entered into under section 48A or 48B of the Internal Revenue Code of 1986, whether such awards were issued before, on, or after such date of enactment.

(3) Disclosure of Allocations.—The amendment made by subsection (e) shall apply to certifications made after the date of the enactment of this Act.
(4) CLERICAL AMENDMENT.—The amendment made by subsection (c)(5) shall take effect as if included in the amendment made by section 1307(b) of the Energy Tax Incentives Act of 2005.

SEC. 112. EXPANSION AND MODIFICATION OF COAL GASIFICATION INVESTMENT CREDIT.

(a) MODIFICATION OF CREDIT AMOUNT.—Section 48B(a) is amended by inserting "(30 percent in the case of credits allocated under subsection (d)(1)(B))" after "20 percent".

(b) EXPANSION OF AGGREGATE CREDITS.—Section 48B(d)(1) is amended by striking "shall not exceed $350,000,000" and all that follows and inserting "shall not exceed—"

"(A) $350,000,000, plus

"(B) $250,000,000 for qualifying gasification projects that include equipment which separates and sequesters at least 75 percent of such project’s total carbon dioxide emissions."

(e) RECAPTURE OF CREDIT FOR FAILURE TO SEQUESTER.—Section 48B is amended by adding at the end the following new subsection:

"(f) RECAPTURE OF CREDIT FOR FAILURE TO SEQUESTER.—The Secretary shall provide for recapturing the benefit of any credit allowable under subsection (a)
with respect to any project which fails to attain or maintain the separation and sequestration requirements for such project under subsection (d)(1).”.

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

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

“(A) give highest priority to projects with the greatest separation and sequestration percentage of total carbon dioxide emissions, and

“(B) give high priority to applicant participants who have a research partnership with an eligible educational institution (as defined in section 529(e)(5)).”.

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

SEC. 113. TEMPORARY INCREASE IN COAL EXCISE TAX.

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

(1) by striking “January 1, 2014” in subparagraph (A) and inserting “December 31, 2018”, and
(2) by striking “January 1 after 1981” in sub-
paragraph (B) and inserting “December 31 after
2007”.

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

(a) REFUND.—

(1) COAL PRODUCERS.—

(A) IN GENERAL.—Notwithstanding sub-
sections (a)(1) and (e) of section 6416 and sec-
tion 6511 of the Internal Revenue Code of
1986, if—

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

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

(iii) such coal producer files a claim for refund with the Secretary not later than the close of the 30-day period beginning on the date of the enactment of this Act,

then the Secretary shall pay to such coal producer an amount equal to the tax paid under section 4121 of such Code on such coal exported or shipped by the coal producer or a party related to such coal producer, or caused by the coal producer or a party related to such coal producer to be exported or shipped.

(B) Special rules for certain taxpayers.—For purposes of this section—

(i) In general.—If a coal producer or a party related to a coal producer has received a judgment described in clause (iii), such coal producer shall be deemed to have established the export of coal to a foreign country or shipment of coal to a possession of the United States under sub-paragraph (A)(i).
(ii) **AMOUNT OF PAYMENT.**—If a taxpayer described in clause (i) is entitled to a payment under subparagraph (A), the amount of such payment shall be reduced by any amount paid pursuant to the judgment described in clause (iii).

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

(I) is made by a court of competent jurisdiction within the United States,

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

(III) is in favor of the coal producer or the party related to the coal producer.

(2) **EXPORTERS.**—Notwithstanding subsections (a)(1) and (c) of section 6416 and section 6511 of the Internal Revenue Code of 1986, and a judgment described in paragraph (1)(B)(iii) of this subsection, if—
(A) an exporter establishes that such exporter exported coal to a foreign country or shipped coal to a possession of the United States, or caused such coal to be so exported or shipped,

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

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

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

(b) LIMITATIONS.—Subsection (a) shall not apply with respect to exported coal if a settlement with the Federal Government has been made with and accepted by, the coal producer, a party related to such coal producer, or the exporter, of such coal, as of the date that the claim is filed under this section with respect to such exported coal. For purposes of this subsection, the term “settlement with the Federal Government” shall not include any settle-
ment or stipulation entered into as of the date of the enactment of this Act, the terms of which contemplate a judgment concerning which any party has reserved the right to file an appeal, or has filed an appeal.

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

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

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

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

(A) is indicated in the shipper’s export
declaration or other documentation as the ex-
porter of record, or

(B) actually exported such coal to a for-
ign country or shipped such coal to a posses-
sion of the United States, or caused such coal
to be so exported or shipped.

(3) RELATED PARTY.—The term “a party re-
lated to such coal producer” means a person who—

(A) is related to such coal producer
through any degree of common management,
stock ownership, or voting control,

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

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

(4) SECRETARY.—The term “Secretary” means
the Secretary of Treasury or the Secretary’s des-
ignee.
(e) Timing of Refund.—With respect to any claim for refund filed pursuant to this section, the Secretary shall determine whether the requirements of this section are met not later than 180 days after such claim is filed. If the Secretary determines that the requirements of this section are met, the claim for refund shall be paid not later than 180 days after the Secretary makes such determination.

(f) Interest.—Any refund paid pursuant to this section shall be paid by the Secretary with interest from the date of overpayment determined by using the overpayment rate and method under section 6621 of the Internal Revenue Code of 1986.

(g) Denial of Double Benefit.—The payment under subsection (a) with respect to any coal shall not exceed—

(1) in the case of a payment to a coal producer, the amount of tax paid under section 4121 of the Internal Revenue Code of 1986 with respect to such coal by such coal producer or a party related to such coal producer, and

(2) in the case of a payment to an exporter, an amount equal to $0.825 per ton with respect to such coal exported by the exporter or caused to be exported by the exporter.
(h) **APPLICATION OF SECTION.**—This section applies only to claims on coal exported or shipped on or after October 1, 1990, through the date of the enactment of this Act.

(i) **STANDING NOT CONFERRED.**—

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

(2) **COAL PRODUCERS.**—With respect to coal producers, this section shall not confer standing upon a coal producer to commence, or intervene in, any judicial or administrative proceeding concerning a claim for refund by an exporter of any Federal or State tax, fee, or royalty paid by the producer and alleged to have been passed on to an exporter.

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

(a) **STUDY.**—The Secretary of the Treasury shall enter into an agreement with the National Academy of Sciences to undertake a comprehensive review of the Internal Revenue Code of 1986 to identify the types of and specific tax provisions that have the largest effects on car-
bon and other greenhouse gas emissions and to estimate
the magnitude of those effects.
(b) REPORT.—Not later than 2 years after the date
of enactment of this Act, the National Academy of
Sciences shall submit to Congress a report containing the
results of study authorized under this section.
(c) AUTHORIZATION OF APPROPRIATIONS.—There is
authorized to be appropriated to carry out this section
$1,500,000 for the period of fiscal years 2008 and 2009.

Subtitle B—Transportation and
SEC. 121. CREDIT FOR PRODUCTION OF CELLULOSIC
BIOFUEL.
(a) IN GENERAL.—Subsection (a) of section 40 is
amended by striking “plus” at the end of paragraph (1),
by striking “plus” at the end of paragraph (2), by striking
the period at the end of paragraph (3) and inserting “;
plus”, and by adding at the end the following new para-
graph:
“(4) the cellulosic biofuel producer credit.”.
(b) CELLULOSIC BIOFUEL PRODUCER CREDIT.—
(1) IN GENERAL.—Subsection (b) of section 40
is amended by adding at the end the following new
paragraph:
“(6) CELLULOSIC BIOFUEL PRODUCER CREDIT.—

“(A) IN GENERAL.—The cellulosic biofuel producer credit of any taxpayer is an amount equal to the applicable amount for each gallon of qualified cellulosic biofuel production.

“(B) APPLICABLE AMOUNT.—For purposes of subparagraph (A), the applicable amount means $1.01, except that such amount shall, in the case of cellulosic biofuel which is alcohol, be reduced by the sum of—

“(i) the amount of the credit in effect for such alcohol under subsection (b)(1) (without regard to subsection (b)(3)) at the time of the qualified cellulosic biofuel production, plus

“(ii) in the case of ethanol, the amount of the credit in effect under subsection (b)(4) at the time of such production.

“(C) QUALIFIED CELLULOSIC BIOFUEL PRODUCTION.—For purposes of this section, the term ‘qualified cellulosic biofuel production’ means any cellulosic biofuel which is produced
by the taxpayer, and which during the taxable year—

“(i) is sold by the taxpayer to another person—

“(I) for use by such other person in the production of a qualified cellulosic biofuel mixture in such other person’s trade or business (other than casual off-farm production),

“(II) for use by such other person as a fuel in a trade or business, or

“(III) who sells such cellulosic biofuel at retail to another person and places such cellulosic biofuel in the fuel tank of such other person, or

“(ii) is used or sold by the taxpayer for any purpose described in clause (i).

The qualified cellulosic biofuel production of any taxpayer for any taxable year shall not include any alcohol which is purchased by the taxpayer and with respect to which such producer increases the proof of the alcohol by additional distillation.
“(D) QUALIFIED CELLULOSIC BIOFUEL MIXTURE.—For purposes of this paragraph, the term ‘qualified cellulosic biofuel mixture’ means a mixture of cellulosic biofuel and gasoline or of cellulosic biofuel and a special fuel which—

“(i) is sold by the person producing such mixture to any person for use as a fuel, or

“(ii) is used as a fuel by the person producing such mixture.

“(E) CELLULOSIC BIOFUEL.—For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘cellulosic biofuel’ means any liquid fuel which—

“(I) is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, and

“(II) meets the registration requirements for fuels and fuel additives established by the Environmental Protection Agency under section 211 of the Clean Air Act (42 U.S.C. 7545).
“(ii) EXCLUSION OF LOW-PROOF ALCOHOL.—Such term shall not include any alcohol with a proof of less than 150. The determination of the proof of any alcohol shall be made without regard to any added denaturants.

“(F) ALLOCATION OF CELLULOSIC BIOFUEL PRODUCER CREDIT TO PATRONS OF COOPERATIVE.—Rules similar to the rules under subsection (g)(6) shall apply for purposes of this paragraph.

“(G) REGISTRATION REQUIREMENT.—No credit shall be determined under this paragraph with respect to any taxpayer unless such taxpayer is registered with the Secretary as a producer of cellulosic biofuel under section 4101.

“(H) APPLICATION OF PARAGRAPH.—This paragraph shall apply with respect to qualified cellulosic biofuel production after December 31, 2008, and before January 1, 2016.”.

(2) TERMINATION DATE NOT TO APPLY.—Subsection (e) of section 40 is amended—

(A) by inserting “or subsection (b)(6)(H)” after “by reason of paragraph (1)” in paragraph (2), and
(B) by adding at the end the following new paragraph:

"(3) EXCEPTION FOR CELLULOSIC BIOFUEL PRODUCER CREDIT.—Paragraph (1) shall not apply to the portion of the credit allowed under this section by reason of subsection (a)(4)."

(3) CONFORMING AMENDMENTS.—

(A) Paragraph (1) of section 4101(a) is amended—

(i) by striking “and every person” and inserting “, every person”, and

(ii) by inserting “, and every person producing cellulosic biofuel (as defined in section 40(b)(6)(E))” after “section 6426(b)(4)(A))”.

(B) The heading of section 40, and the item relating to such section in the table of sections for subpart D of part IV of subchapter A of chapter 1, are each amended by inserting “, etc.”, after “Alcohol”.

(e) BIOFUEL NOT USED AS A FUEL, ETC.—

(1) IN GENERAL.—Paragraph (3) of section 40(d) is amended by redesignating subparagraph (D) as subparagraph (E) and by inserting after subparagraph (C) the following new subparagraph:
“(D) CELLULOSIC BIOFUEL PRODUCER CREDIT.—If—

“(i) any credit is allowed under subsection (a)(4), and

“(ii) any person does not use such fuel for a purpose described in subsection (b)(6)(C),

then there is hereby imposed on such person a tax equal to the applicable amount (as defined in subsection (b)(6)(B)) for each gallon of such cellulosic biofuel.”.

(2) CONFORMING AMENDMENTS.—

(A) Subparagraph (C) of section 40(d)(3) is amended by striking “PRODUCER” in the heading and inserting “SMALL ETHANOL PRODUCER”.

(B) Subparagraph (E) of section 40(d)(3), as redesignated by paragraph (1), is amended by striking “or (C)” and inserting “(C), or (D)”.

(d) BIOFUEL PRODUCED IN THE UNITED STATES.—Section 40(d) is amended by adding at the end the following new paragraph:

“(6) SPECIAL RULE FOR CELLULOSIC BIOFUEL PRODUCER CREDIT.—No cellulosic biofuel producer
credit shall be determined under subsection (a) with respect to any cellulosic biofuel unless such cellulosic biofuel is produced in the United States and used as a fuel in the United States. For purposes of this subsection, the term ‘United States’ includes any possession of the United States.”.

(e) WAIVER OF CREDIT LIMIT FOR CELLULOSIC BIOFUEL PRODUCTION BY SMALL ETHANOL PRODUCERS.—Section 40(b)(4)(C) is amended by inserting “(determined without regard to any qualified cellulosic biofuel production)” after “15,000,000 gallons”.

(f) DENIAL OF DOUBLE BENEFIT.—

(1) BIODIESEL.—Paragraph (1) of section 40A(d) is amended by adding at the end the following new flush sentence:

“Such term shall not include any liquid with respect to which a credit may be determined under section 40.”.

(2) RENEWABLE DIESEL.—Paragraph (3) of section 40A(f) is amended by adding at the end the following new flush sentence:

“Such term shall not include any liquid with respect to which a credit may be determined under section 40.”.
(g) **Effective Date.**—The amendments made by this section shall apply to fuel produced after December 31, 2008.

**SEC. 122. INCLUSION OF CELLULOSIC BIOFUEL IN BONUS DEPRECIATION FOR BIOMASS ETHANOL PLANT PROPERTY.**

(a) **In General.**—Paragraph (3) of section 168(l) is amended to read as follows:

"(3) *Cellulosic Biofuel.*—The term ‘cellulosic biofuel’ means any liquid fuel which is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis."

(b) **Conforming Amendments.**—Subsection (l) of section 168 is amended—

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

(2) by striking “CELLULOSIC BIOMASS ETHANOL” in the heading of such subsection and inserting “CELLULOSIC BIOFUEL”, and

(3) by striking “CELLULOSIC BIOMASS ETHANOL” in the heading of paragraph (2) thereof and inserting “CELLULOSIC BIOFUEL”. 
1. **Effective Date.**—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act, in taxable years ending after such date.

5. **SEC. 123. Credits for Biodiesel and Renewable Diesel.**

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

(b) **Increase in Rate of Credit.**—

1. **Income Tax Credit.**—Paragraphs (1)(A) and (2)(A) of section 40A(b) are each amended by striking “50 cents” and inserting “$1.00”.

2. **Excise Tax Credit.**—Paragraph (2) of section 6426(c) is amended to read as follows:

   “(2) Applicable Amount.—For purposes of this subsection, the applicable amount is $1.00.”

3. **Conforming Amendments.**—

   (A) Subsection (b) of section 40A is amended by striking paragraph (3) and by redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

   (B) Paragraph (2) of section 40A(f) is amended to read as follows:
“(2) EXCEPTION.—Subsection (b)(4) shall not apply with respect to renewable diesel.”.

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

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

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

(1) by striking “diesel fuel” and inserting “liquid fuel”,

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

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

(d) COPRODUCTION OF RENEWABLE DIESEL WITH PETROLEUM FEEDSTOCK.—

(1) IN GENERAL.—Paragraph (3) of section 40A(f) (defining renewable diesel) is amended by adding at the end the following flush sentence:
"Such term does not include any fuel derived from coproprocessing biomass with a feedstock which is not biomass. For purposes of this paragraph, the term ‘biomass’ has the meaning given such term by section 45K(c)(3)."

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

(e) ELIGIBILITY OF CERTAIN AVIATION FUEL.— Paragraph (3) of section 40A(f) (defining renewable diesel) is amended by adding at the end the following new flush sentence:

"The term ‘renewable diesel’ also means fuel derived from biomass which meets the requirements of a Department of Defense specification for military jet fuel or an American Society of Testing and Materials specification for aviation turbine fuel."

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to fuel produced, and sold or used, after December 31, 2008.

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

SEC. 124. MODIFICATION OF ALCOHOL CREDIT.

(a) INCOME TAX CREDIT.—

(1) IN GENERAL.—The table in paragraph (2) of section 40(h) is amended—

(A) by striking “through 2010” in the first column and inserting “, 2006, 2007, or 2008”,

(B) by striking the period at the end of the third row, and

(C) by adding at the end the following new row:

“2009 through 2010 ...... 45 cents .. 33.33 cents”:

(2) EXCEPTION.—Section 40(h) is amended by adding at the end the following new paragraph:

“(3) REDUCTION DELAYED UNTIL ANNUAL PRODUCTION OR IMPORTATION OF 7,500,000,000 GALLONS.—

(A) IN GENERAL.—In the case of any calendar year beginning after 2008, if the Secretary makes a determination described in subparagraph (B) with respect to all preceding calendar years beginning after 2007, the last row in the table in paragraph (2) shall be applied by substituting ‘51 cents’ for ‘45 cents’.
“(B) DETERMINATION.—A determination described in this subparagraph with respect to any calendar year is a determination, in consultation with the Administrator of the Environmental Protection Agency, that an amount less than 7,500,000,000 gallons of ethanol (including cellulosic ethanol) has been produced in or imported into the United States in such year.”.

(b) EXCISE TAX CREDIT.—

(1) IN GENERAL.—Subparagraph (A) of section 6426(b)(2) (relating to alcohol fuel mixture credit) is amended by striking “the applicable amount is 51 cents” and inserting “the applicable amount is—

“(i) in the case of calendar years beginning before 2009, 51 cents, and

“(ii) in the case of calendar years beginning after 2008, 45 cents.”.

(2) EXCEPTION.—Paragraph (2) of section 6426(b) is amended by adding at the end the following new subparagraph:

“(C) REDUCTION DELAYED UNTIL ANNUAL PRODUCTION OR IMPORTATION OF 7,500,000,000 GALLONS.—In the case of any calendar year beginning after 2008, if the Secretary makes a
determination described in section 40(h)(3)(B) with respect to all preceding calendar years beginning after 2007, subparagraph (A)(ii) shall be applied by substituting '51 cents' for '45 cents'."

(3) CONFORMING AMENDMENT.—Subparagraph (A) of section 6426(b)(2) is amended by striking "subparagraph (B)" and inserting "subparagraphs (B) and (C)".

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 125. CALCULATION OF VOLUME OF ALCOHOL FOR FUEL CREDITS.

(a) IN GENERAL.—Paragraph (4) of section 40(d) is amended by striking "5 percent" and inserting "2 percent".

(b) CONFORMING AMENDMENT FOR EXCISE TAX CREDIT.—Section 6426(b) is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

"(5) VOLUME OF ALCOHOL.—For purposes of determining under subsection (a) the number of gallons of alcohol with respect to which a credit is allowable under subsection (a), the volume of alcohol
shall include the volume of any denaturant (including gasoline) which is added under any formulas approved by the Secretary to the extent that such denaturants do not exceed 2 percent of the volume of such alcohol (including denaturants)."

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2008.

SEC. 126. CLARIFICATION THAT CREDITS FOR FUEL ARE DESIGNED TO PROVIDE AN INCENTIVE FOR UNITED STATES PRODUCTION.

(a) ALCOHOL FUELS CREDIT.—Subsection (d) of section 40 is amended by adding at the end the following new paragraph:

"(6) LIMITATION TO ALCOHOL WITH CONNECTION TO THE UNITED STATES.—No credit shall be determined under this section with respect to any alcohol which is produced outside the United States for use as a fuel outside the United States. For purposes of this paragraph, the term ‘United States’ includes any possession of the United States."

(b) BIODIESEL FUELS CREDIT.—Subsection (d) of section 40A is amended by adding at the end the following new paragraph:
“(5) LIMITATION TO BIODIESEL WITH CONNECTION TO THE UNITED STATES.—No credit shall be determined under this section with respect to any biodiesel which is produced outside the United States for use as a fuel outside the United States. For purposes of this paragraph, the term ‘United States’ includes any possession of the United States.”.

(e) EXCISE TAX CREDIT.—

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

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

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

“(2) BIODIESEL AND ALTERNATIVE FUELS.—No credit shall be determined under this section with respect to any biodiesel or alternative fuel which is produced outside the United States for use as a fuel outside the United States.

For purposes of this subsection, the term ‘United States’ includes any possession of the United States.”.
(2) CONFORMING AMENDMENT.—Subsection (e) of section 6427 is amended by redesignating paragraph (5) as paragraph (6) and by inserting after paragraph (4) the following new paragraph:

“(5) LIMITATION TO FUELS WITH CONNECTION TO THE UNITED STATES.—No amount shall be payable under paragraph (1) or (2) with respect to any mixture or alternative fuel if credit is not allowed with respect to such mixture or alternative fuel by reason of section 6426(i).”.

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

SEC. 127. CREDIT FOR NEW QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLES.

(a) IN GENERAL.—Subpart B of part IV of subchapter A of chapter 1 is amended by adding at the end the following new section:

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

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

"(b) PER VEHICLE DOLLAR LIMITATION.—

"(1) IN GENERAL.—The amount determined
under this subsection with respect to any new quali-

fied plug-in electric drive motor vehicle is the sum
of the amounts determined under paragraphs (2)
and (3) with respect to such vehicle.

"(2) BASE AMOUNT.—The amount determined
under this paragraph is $3,000.

"(3) BATTERY CAPACITY.—In the case of a ve-
hicle which draws propulsion energy from a battery
with not less than 5 kilowatt hours of capacity, the
amount determined under this paragraph is $200,
plus $200 for each kilowatt hour of capacity in ex-
cess of 5 kilowatt hours. The amount determined
under this paragraph shall not exceed $2,000.

"(c) APPLICATION WITH OTHER CREDITS.—

"(1) BUSINESS CREDIT TREATED AS PART OF
GENERAL BUSINESS CREDIT.—So much of the credit
which would be allowed under subsection (a) for any
taxable year (determined without regard to this sub-
section) that is attributable to property of a char-
acter subject to an allowance for depreciation shall
be treated as a credit listed in section 38(b) for such taxable year (and not allowed under subsection (a)).

"(2) PERSONAL CREDIT.—

"(A) IN GENERAL.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.

"(B) LIMITATION BASED ON AMOUNT OF TAX.—In the case of a taxable year to which section 26(a)(2) does not apply, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall not exceed the excess of—

"(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over

"(ii) the sum of the credits allowable under subpart A (other than this section and sections 23 and 25D) and section 27 for the taxable year.

"(d) NEW QUALIFIED PLUG-IN ELECTRIC DRIVE MOTOR VEHICLE.—For purposes of this section—
“(1) IN GENERAL.—The term 'new qualified plug-in electric drive motor vehicle' means a motor vehicle (as defined in section 30(c)(2))—

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

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

“(C) which is made by a manufacturer,

“(D) which has a gross vehicle weight rating of less than 14,000 pounds,

“(E) which has received a certificate of conformity under the Clean Air Act and meets or exceeds the Bin 5 Tier II emission standard established in regulations prescribed by the Administrator of the Environmental Protection Agency under section 202(i) of the Clean Air Act for that make and model year vehicle, and

“(F) which is propelled to a significant extent by an electric motor which draws electricity from a battery which—

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

“(ii) is capable of being recharged from an external source of electricity.
“(2) EXCEPTION.—The term ‘new qualified plug-in electric drive motor vehicle’ shall not include any vehicle which is not a passenger automobile or light truck if such vehicle has a gross vehicle weight rating of less than 8,500 pounds.

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

“(4) BATTERY CAPACITY.—The term ‘capacity’ means, with respect to any battery, the quantity of electricity which the battery is capable of storing, expressed in kilowatt hours, as measured from a 100 percent state of charge to a 0 percent state of charge.

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

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

“(2) PHASEOUT PERIOD.—For purposes of this subsection, the phaseout period is the period beginning with the second calendar quarter following the calendar quarter which includes the first date on which the number of new qualified plug-in electric drive motor vehicles manufactured by the manufacturer of the vehicle referred to in paragraph (1) sold for use in the United States after the date of the enactment of this section, is at least 60,000.

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

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

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

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

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

“(f) SPECIAL RULES.—

“(1) BASIS REDUCTION.—The basis of any property for which a credit is allowable under sub-
section (a) shall be reduced by the amount of such
credit (determined without regard to subsection (c)).

"(2) RECAPTURE.—The Secretary shall, by reg-
ulations, provide for recapturing the benefit of any
credit allowable under subsection (a) with respect to
any property which ceases to be property eligible for
such credit.

"(3) PROPERTY USED OUTSIDE UNITED
STATES, ETC., NOT QUALIFIED.—No credit shall be
allowed under subsection (a) with respect to any
property referred to in section 50(b)(1) or with re-
spect to the portion of the cost of any property
taken into account under section 179.

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

"(5) PROPERTY USED BY TAX-EXEMPT ENTITY;
INTERACTION WITH AIR QUALITY AND MOTOR VEH-
ICLE SAFETY STANDARDS.—Rules similar to the rules
of paragraphs (6) and (10) of section 30B(h) shall
apply for purposes of this section."

(b) COORDINATION WITH ALTERNATIVE MOTOR VE-
HICLE CREDIT.—Section 30B(d)(3) is amended by adding
at the end the following new subparagraph:
“(D) EXCLUSION OF PLUG-IN VEHICLES.—

Any vehicle with respect to which a credit is allowable under section 30D (determined without regard to subsection (c) thereof) shall not be taken into account under this section.”.

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

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

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

(3) by striking the period at the end of paragraph (31) and inserting “, plus”, and

(4) by adding at the end the following new paragraph:

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

(d) CONFORMING AMENDMENTS.—

(1)(A) Section 24(b)(3)(B), as amended by section 104, is amended by striking “and 25D” and inserting “25D, and 30D”.

(B) Section 25(e)(1)(C)(ii) is amended by inserting “30D,” after “25D,”.
(C) Section 25B(g)(2), as amended by section 104, is amended by striking “and 25D” and inserting “, 25D, and 30D”.

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

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

(2) Section 1016(a) is amended by striking “and” at the end of paragraph (36), by striking the period at the end of paragraph (37) and inserting “, and”, and by adding at the end the following new paragraph:

“(38) to the extent provided in section 30D(f)(1).”.

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

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

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

“(2) PERSONAL CREDIT.—The credit allowed under subsection (a) for any taxable year (after application of paragraph (1)) shall be treated as a
credit allowable under subpart A for such taxable
year.”.

(2) CONFORMING AMENDMENTS.—

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

(B) Paragraph (3) of section 55(e) is
amended by striking “30B(g)(2),”.

(f) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise pro-
vided in this subsection, the amendments made by
this section shall apply to taxable years beginning
after December 31, 2008.

(2) TREATMENT OF ALTERNATIVE MOTOR VEHICLE CREDIT AS PERSONAL CREDIT.—The amend-
ments made by subsection (e) shall apply to taxable
years beginning after December 31, 2007.

(g) APPLICATION OF EGTRRA SUNSET.—The
amendment made by subsection (d)(1)(A) shall be subject
to title IX of the Economic Growth and Tax Relief Rec-
conciliation Act of 2001 in the same manner as the provi-
sion of such Act to which such amendment relates.
SEC. 128. EXCLUSION FROM HEAVY TRUCK TAX FOR IDLING

REDUCTION UNITS AND ADVANCED INSULATION.

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

"(9) IDLING REDUCTION DEVICE.—Any device or system of devices which—

(A) is designed to provide to a vehicle those services (such as heat, air conditioning, or electricity) that would otherwise require the operation of the main drive engine while the vehicle is temporarily parked or remains stationary using one or more devices affixed to a tractor, and

(B) is certified by the Secretary of Energy, in consultation with the Administrator of the Environmental Protection Agency and the Secretary of Transportation, to reduce idling of such vehicle at a motor vehicle rest stop or other location where such vehicles are temporarily parked or remain stationary.

(10) ADVANCED INSULATION.—Any insulation that has an R value of not less than R35 per inch."

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to sales or installations after the date of the enactment of this Act.
SEC. 129. Restructuring of New York Liberty Zone

TAX CREDITS.

(a) In General.—Part I of subchapter Y of chapter 1 is amended by redesignating section 1400L as section 1400K and by adding at the end the following new section:

"SEC. 1400L. New York Liberty Zone Tax Credits.

"(a) In General.—In the case of a New York Liberty Zone governmental unit, there shall be allowed as a credit against any taxes imposed for any payroll period by section 3402 for which such governmental unit is liable under section 3403 an amount equal to so much of the portion of the qualifying project expenditure amount allocated under subsection (b)(3) to such governmental unit for the calendar year as is allocated by such governmental unit to such period under subsection (b)(4).

"(b) Qualifying Project Expenditure Amount.—For purposes of this section—

"(1) In General.—The term ‘qualifying project expenditure amount’ means, with respect to any calendar year, the sum of—

"(A) the total expenditures paid or incurred during such calendar year by all New York Liberty Zone governmental units and the Port Authority of New York and New Jersey for any portion of qualifying projects located
wholly within the City of New York, New York, and

"(B) any such expenditures—

"(i) paid or incurred in any preceding calendar year which begins after the date of enactment of this section, and

"(ii) not previously allocated under paragraph (3).

"(2) QUALIFYING PROJECT.—The term ‘qualifying project’ means any transportation infrastructure project, including highways, mass transit systems, railroads, airports, ports, and waterways, in or connecting with the New York Liberty Zone (as defined in section 1400K(h)), which is designated as a qualifying project under this section jointly by the Governor of the State of New York and the Mayor of the City of New York, New York.

"(3) GENERAL ALLOCATION.—

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

“(B) Aggregate Limit.—The aggregate amount which may be allocated under subparagraph (A) for all calendar years in the credit period shall not exceed $2,000,000,000.

“(C) Annual Limit.—The aggregate amount which may be allocated under subparagraph (A) for any calendar year in the credit period shall not exceed the sum of—

“(i) $115,000,000 ($425,000,000 in the case of the last 2 years in the credit period), plus

“(ii) the aggregate amount authorized to be allocated under this paragraph for all preceding calendar years in the credit period which was not so allocated.

“(D) Unallocated Amounts at End of Credit Period.—If, as of the close of the credit period, the amount under subparagraph (B) exceeds the aggregate amount allocated under subparagraph (A) for all calendar years in the credit period, the Governor of the State of New York and the Mayor of the City of New York, New York, may jointly allocate to New York
99

Liberty Zone governmental units for any calendar year in the 5-year period following the credit period an amount equal to—

"(i) the lesser of—

"(I) such excess, or

"(II) the qualifying project expenditure amount for such calendar year, reduced by

"(ii) the aggregate amount allocated under this subparagraph for all preceding calendar years.

"(4) ALLOCATION TO PAYROLL PERIODS.—

Each New York Liberty Zone governmental unit which has been allocated a portion of the qualifying project expenditure amount under paragraph (3) for a calendar year may allocate such portion to payroll periods beginning in such calendar year as such governmental unit determines appropriate.

"(c) CARRYOVER OF UNUSED ALLOCATIONS.—

"(1) IN GENERAL.—Except as provided in paragraph (2), if the amount allocated under subsection (b)(3) to a New York Liberty Zone governmental unit for any calendar year exceeds the aggregate taxes imposed by section 3402 for which such governmental unit is liable under section 3403 for per-
ods beginning in such year, such excess shall be carried to the succeeding calendar year and added to the allocation of such governmental unit for such succeeding calendar year.

"(2) REALLOCATION.—If a New York Liberty Zone governmental unit does not use an amount allocated to it under subsection (b)(3) within the time prescribed by the Governor of the State of New York and the Mayor of the City of New York, New York, then such amount shall after such time be treated for purposes of subsection (b)(3) in the same manner as if it had never been allocated.

"(d) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

"(1) CREDIT PERIOD.—The term 'credit period' means the 12-year period beginning on January 1, 2009.

"(2) NEW YORK LIBERTY ZONE GOVERNMENTAL UNIT.—The term 'New York Liberty Zone governmental unit' means—

"(A) the State of New York,

"(B) the City of New York, New York, and

"(C) any agency or instrumentality of such State or City.
“(3) TREATMENT OF FUNDS.—Any expenditure for a qualifying project taken into account for purposes of the credit under this section shall be considered State and local funds for the purpose of any Federal program.

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

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

“(1) which certifies—

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

“(B) the amount allocated to each New York Liberty Zone governmental unit under subsection (b)(3) for the calendar year, and
“(2) includes such other information as the Secretary may require to carry out this section.

“(f) GUIDANCE.—The Secretary may prescribe such guidance as may be necessary or appropriate to ensure compliance with the purposes of this section.”.

(b) TERMINATION OF SPECIAL ALLOWANCE AND EXPENSING.—Subparagraph (A) of section 1400K(b)(2), as redesignated by subsection (a), is amended by striking the parenthetical therein and inserting “(in the case of non-residential real property and residential rental property, the date of the enactment of the Energy and Tax Extenders Act of 2008 or, if acquired pursuant to a binding contract in effect on such enactment date, December 31, 2009)”.

(c) CONFORMING AMENDMENTS.—

(1) Section 38(e)(3)(B) is amended by striking “section 1400L(a)” and inserting “section 1400K(a)”.

(2) Section 168(k)(2)(D)(ii) is amended by striking “section 1400L(c)(2)” and inserting “section 1400K(c)(2)”.

(3) The table of sections for part I of subchapter Y of chapter 1 is amended by redesignating the item relating to section 1400L as an item relat-
ing to section 1400K and by inserting after such
item the following new item:

"Sec. 1400La. New York Liberty Zone tax credits."

(d) EFFECTIVE DATE.—The amendments made by
this section shall take effect on the date of the enactment
of this Act.

6 SEC. 130. TRANSPORTATION FRINGE BENEFIT TO BICYCLE
COMMUTERS.

(a) IN GENERAL.—Paragraph (1) of section 132(f)
is amended by adding at the end the following:

"(D) Any qualified bicycle commuting reim-
bursement."

(b) LIMITATION ON EXCLUSION.—Paragraph (2) of
section 132(f) is amended by striking "and" at the end
of subparagraph (A), by striking the period at the end
of subparagraph (B) and inserting "and", and by adding
at the end the following new subparagraph:

"(C) the applicable annual limitation in
the case of any qualified bicycle commuting reim-
bursement."

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

"(F) DEFINITIONS RELATED TO BICYCLE
COMMUTING REIMBURSEMENT.—

"(i) QUALIFIED BICYCLE COMMUTING
REIMBURSEMENT.—The term ‘qualified bi-
cycle commuting reimbursement' means, with respect to any calendar year, any employer reimbursement during the 15-month period beginning with the first day of such calendar year for reasonable expenses incurred by the employee during such calendar year for the purchase of a bicycle and bicycle improvements, repair, and storage, if such bicycle is regularly used for travel between the employee’s residence and place of employment.

"(ii) Applicable Annual Limitation.—The term ‘applicable annual limitation’ means, with respect to any employee for any calendar year, the product of $20 multiplied by the number of qualified bicycle commuting months during such year.

"(iii) Qualified Bicycle Commuting Month.—The term ‘qualified bicycle commuting month’ means, with respect to any employee, any month during which such employee—

"(I) regularly uses the bicycle for a substantial portion of the travel be-
between the employee's residence and place of employment, and

"(II) does not receive any benefit described in subparagraph (A), (B), or (C) of paragraph (1)."

(d) CONSTRUCTIVE RECEIPT OF BENEFIT.—Paragraph (4) of section 132(f) is amended by inserting "(other than a qualified bicycle commuting reimbursement)" after "qualified transportation fringe".

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 131. ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY CREDIT.

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

(1) by striking "30 percent" in subsection (a) and inserting "50 percent", and

(2) by striking "$30,000" in subsection (b)(1) and inserting "$50,000".

(b) EXTENSION OF CREDIT.—Paragraph (2) of section 30C(g) is amended by striking "December 31, 2009" and inserting "December 31, 2010".

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

SEC. 132. COMPREHENSIVE STUDY OF BIOFUELS.

(a) STUDY.—The Secretary of the Treasury, in consultation with the Secretary of Agriculture, the Secretary of Energy, and the Administrator of the Environmental Protection Agency, shall enter into an agreement with the National Academy of Sciences to produce an analysis of current scientific findings to determine—

(1) current biofuels production, as well as projections for future production,

(2) the maximum amount of biofuels production capable in United States forests and farmlands, including the current quantities and character of the feedstocks and including such information as regional forest inventories that are commercially available, used in the production of biofuels,

(3) the domestic effects of an increase in biofuels production levels, including the effects of such levels on—

(A) the price of fuel,

(B) the price of land in rural and suburban communities,

(C) crop acreage, forest acreage, and other land use,
(D) the environment, due to changes in crop acreage, fertilizer use, runoff, water use, emissions from vehicles utilizing biofuels, and other factors,

(E) the price of feed,

(F) the selling price of grain crops and unprocessed forest products,

(G) exports and imports of grains and unprocessed forest products,

(H) taxpayers, through cost or savings to commodity crop payments, and

(I) the expansion of refinery capacity,

(4) the ability to convert corn ethanol plants for other uses, such as cellulosic ethanol or biodiesel,

(5) a comparative analysis of corn ethanol versus other biofuels and renewable energy sources, considering cost, energy output, and ease of implementation,

(6) the impact of the tax credit established by section 121 of this Act on the regional agricultural and silvicultural capabilities of commercially available forest inventories, and

(7) the need for additional scientific inquiry, and specific areas of interest for future research.
(b) REPORT.—The Secretary of the Treasury shall submit an initial report of the findings of the study required under subsection (a) to Congress not later than 6 months after the date of the enactment of this Act (36 months after such date in the case of the information required by subsection (a)(6)), and a final report not later than 12 months after such date (42 months after such date in the case of the information required by subsection (a)(6)).


SEC. 141. QUALIFIED ENERGY CONSERVATION BONDS.

(a) In General.—Subpart I of part IV of subchapter A of chapter 1, as added by section 106, is amended by adding at the end the following new section:

"SEC. 54C. QUALIFIED ENERGY CONSERVATION BONDS."

"(a) QUALIFIED ENERGY CONSERVATION BOND.—For purposes of this subchapter, the term 'qualified energy conservation bond' means any bond issued as part of an issue if—

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

"(2) the bond is issued by a State or local government, and
“(3) the issuer designates such bond for purposes of this section.

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

“(c) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under subsection (a) by any issuer shall not exceed the limitation amount allocated to such issuer under subsection (e).

“(d) NATIONAL LIMITATION ON AMOUNT OF BONDS DESIGNATED.—There is a national qualified energy conservation bond limitation of $3,000,000,000.

“(e) ALLOCATIONS.—

“(1) IN GENERAL.—The limitation applicable under subsection (d) shall be allocated by the Secretary among the States in proportion to the population of the States.

“(2) ALLOCATIONS TO LARGEST LOCAL GOVERNMENTS.—

“(A) IN GENERAL.—In the case of any State in which there is a large local government, each such local government shall be allo-
cated a portion of such State’s allocation which
bears the same ratio to the State’s allocation
(determined without regard to this subpara-
graph) as the population of such large local
government bears to the population of such
State.

“(B) ALLOCATION OF UNUSED LIMITATION
TO STATE.—The amount allocated under this
subsection to a large local government may be
reallocated by such local government to the
State in which such local government is located.

“(C) LARGE LOCAL GOVERNMENT.—For
purposes of this section, the term ‘large local
government’ means any municipality or county
if such municipality or county has a population
of 100,000 or more.

“(3) ALLOCATION TO ISSUERS; RESTRICTION
ON PRIVATE ACTIVITY BONDS.—Any allocation
under this subsection to a State or large local gov-
ernment shall be allocated by such State or large
local government to issuers within the State in a
manner that results in not less than 70 percent of
the allocation to such State or large local govern-
ment being used to designate bonds which are not
private activity bonds.
"(f) QUALIFIED CONSERVATION PURPOSE.—For purposes of this section—

"(1) IN GENERAL.—The term ‘qualified conservation purpose’ means any of the following:

"(A) Capital expenditures incurred for purposes of—

"(i) reducing energy consumption in publicly-owned buildings by at least 20 percent,

"(ii) implementing green community programs,

"(iii) rural development involving the production of electricity from renewable energy resources, or

"(iv) any qualified facility (as determined under section 45(d) without regard to paragraphs (8) and (10) thereof and without regard to any placed in service date).

"(B) Expenditures with respect to research facilities, and research grants, to support research in—

"(i) development of cellulosic ethanol or other nonfossil fuels,
(ii) technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels,

(iii) increasing the efficiency of existing technologies for producing nonfossil fuels,

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

(v) technologies to reduce energy use in buildings.

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

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

(i) green building technology,

(ii) conversion of agricultural waste for use in the production of fuel or otherwise,

(iii) advanced battery manufacturing technologies,

(iv) technologies to reduce peak use of electricity, or
“(v) technologies for the capture and
sequestration of carbon dioxide emitted
from combusting fossil fuels in order to
produce electricity.
“(E) Public education campaigns to pro-
mote energy efficiency.
“(2) SPECIAL RULES FOR PRIVATE ACTIVITY
BONDS.—For purposes of this section, in the case of
any private activity bond, the term ‘qualified con-
servation purposes’ shall not include any expenditure
which is not a capital expenditure.
“(g) POPULATION.—
“(1) IN GENERAL.—The population of any
State or local government shall be determined for
purposes of this section as provided in section 146(j)
for the calendar year which includes the date of the
enactment of this section.
“(2) SPECIAL RULE FOR COUNTIES.—In deter-
mining the population of any county for purposes of
this section, any population of such county which is
taken into account in determining the population of
any municipality which is a large local government
shall not be taken into account in determining the
population of such county.
“(h) Application to Indian Tribal Governments.—An Indian tribal government shall be treated for purposes of this section in the same manner as a large local government, except that—

“(1) an Indian tribal government shall be treated for purposes of subsection (e) as located within a State to the extent of so much of the population of such government as resides within such State, and

“(2) any bond issued by an Indian tribal government shall be treated as a qualified energy conservation bond only if issued as part of an issue the available project proceeds of which are used for purposes for which such Indian tribal government could issue bonds to which section 103(a) applies.”.

(b) Conforming Amendments.—

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

“(1) Qualified Tax Credit Bond.—The term ‘qualified tax credit bond’ means—

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

“(B) a qualified energy conservation bond, which is part of an issue that meets requirements of paragraphs (2), (3), (4), (5), and (6).”.
(2) Subparagraph (C) of section 54A(d)(2), as added by section 106, is amended to read as follows:

"(C) QUALIFIED PURPOSE.—For purposes of this paragraph, the term 'qualified purpose' means—

"(i) in the case of a new clean renewable energy bond, a purpose specified in section 54B(a)(1), and

"(ii) in the case of a qualified energy conservation bond, a purpose specified in section 54C(a)(1).".

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

"Sec. 54C. Qualified energy conservation bonds."

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

SEC. 142. CREDIT FOR NONBUSINESS ENERGY PROPERTY.

(a) EXTENSION OF CREDIT.—Section 25C(g) is amended by striking "December 31, 2007" and inserting "December 31, 2008".

(b) QUALIFIED BIOMASS FUEL PROPERTY.—

(1) IN GENERAL.—Section 25C(d)(3) is amended—
(A) by striking "and" at the end of sub-
paragraph (D),

(B) by striking the period at the end of
subparagraph (E) and inserting ", and", and

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

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

(2) BIOMASS FUEL.—Section 25C(d) is amend-
ed by adding at the end the following new para-
graph:

"(6) BIOMASS FUEL.—The term ‘biomass fuel’
means any plant-derived fuel available on a renew-
able or recurring basis, including agricultural crops
and trees, wood and wood waste and residues (in-
cluding wood pellets), plants (including aquatie
plants), grasses, residues, and fibers.”.

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

(1) IN GENERAL.—Paragraph (3) of section
25C(d) is amended by striking subparagraph (C)
and by redesignating subparagraphs (D) and (E) as subparagraphs (C) and (D), respectively.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 25C(d)(2) is amended to read as follows:

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

"(i) shall require measurements to be based on published data which is tested by manufacturers at 95 degrees Fahrenheit, and

"(ii) may be based on the certified data of the Air Conditioning and Refrigeration Institute that are prepared in partnership with the Consortium for Energy Efficiency."

(d) EFFECTIVE DATE.—The amendments made this section shall apply to expenditures made after December 31, 2007.
1 SEC. 143. ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.

3 Subsection (h) of section 179D is amended by striking "December 31, 2008" and inserting "December 31, 2013".

6 SEC. 144. MODIFICATIONS OF ENERGY EFFICIENT APPLIANCE CREDIT FOR APPLIANCES PRODUCED AFTER 2007.

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

11 "(b) APPLICABLE AMOUNT.—For purposes of subsection (a)—

13 "(1) DISHWASHERS.—The applicable amount is—

15 "(A) $45 in the case of a dishwasher which is manufactured in calendar year 2008 or 2009 and which uses no more than 324 kilowatt hours per year and 5.8 gallons per cycle, and

19 "(B) $75 in the case of a dishwasher which is manufactured in calendar year 2008, 2009, or 2010 and which uses no more than 307 kilowatt hours per year and 5.0 gallons per cycle (5.5 gallons per cycle for dishwashers designed for greater than 12 place settings).

25 "(2) CLOTHES WASHERS.—The applicable amount is—
“(A) $75 in the case of a residential top-loading clothes washer manufactured in calendar year 2008 which meets or exceeds a 1.72 modified energy factor and does not exceed a 8.0 water consumption factor,

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

“(C) $150 in the case of a residential or commercial clothes washer manufactured in calendar year 2008, 2009, or 2010 which meets or exceeds 2.0 modified energy factor and does not exceed a 6.0 water consumption factor, and

“(D) $250 in the case of a residential or commercial clothes washer manufactured in calendar year 2008, 2009, or 2010 which meets or exceeds 2.2 modified energy factor and does not exceed a 4.5 water consumption factor.

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

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

“(B) $75 in the case of a refrigerator which is manufactured in calendar year 2008 or 2009, and consumes at least 23 percent but no more than 24.9 percent less kilowatt hours per year than the 2001 energy conservation standards,

“(C) $100 in the case of a refrigerator which is manufactured in calendar year 2008, 2009, or 2010, and consumes at least 25 percent but not more than 29.9 percent less kilowatt hours per year than the 2001 energy conservation standards, and

“(D) $200 in the case of a refrigerator manufactured in calendar year 2008, 2009, or 2010 and which consumes at least 30 percent less energy than the 2001 energy conservation standards.”.

(b) ELIGIBLE PRODUCTION.—

(1) SIMILAR TREATMENT FOR ALL APPLIANCES.—Subsection (c) of section 45M is amended—

(A) by striking paragraph (2),
(B) by striking "(1) IN GENERAL" and all
that follows through "the eligible" and inserting
"The eligible", and

(C) by moving the text of such subsection
in line with the subsection heading and redesignating subparagraphs (A) and (B) as paragraphs (1) and (2), respectively.

(2) MODIFICATION OF BASE PERIOD.—Paragraph (2) of section 45M(e), as amended by paragraph (1), is amended by striking "3-calendar year" and inserting "2-calendar year".

c (c) TYPES OF ENERGY EFFICIENT APPLIANCES.—
Subsection (d) of section 45M (defining types of energy
efficient appliances) is amended to read as follows:

"(d) TYPES OF ENERGY EFFICIENT APPLIANCE.—
For purposes of this section, the types of energy efficient
appliances are—

"(1) dishwashers described in subsection (b)(1),

"(2) clothes washers described in subsection
(b)(2), and

"(3) refrigerators described in subsection
(b)(3).”.

d (d) AGGREGATE CREDIT AMOUNT ALLOWED.—
(1) INCREASE IN LIMIT.—Paragraph (1) of sec-
tion 45M(e) is amended to read as follows:
“(1) AGGREGATE CREDIT AMOUNT ALLOWED.—

The aggregate amount of credit allowed under subsection (a) with respect to a taxpayer for any taxable year shall not exceed $75,000,000 reduced by the amount of the credit allowed under subsection (a) to the taxpayer (or any predecessor) for all prior taxable years beginning after December 31, 2007.”.

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

“(2) AMOUNT ALLOWED FOR CERTAIN REFRIGERATORS AND CLOTHES WASHERS.—Refrigerators described in subsection (b)(3)(D) and clothes washers described in subsection (b)(2)(D) shall not be taken into account under paragraph (1).”.

(e) QUALIFIED ENERGY EFFICIENT APPLIANCES.—

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

“(1) QUALIFIED ENERGY EFFICIENT APPLI-

ANCE.—The term ‘qualified energy efficient appli-

ance’ means—

“(A) any dishwasher described in sub-

section (b)(1),
“(B) any clothes washer described in sub-
section (b)(2), and

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

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

(3) TOP-LOADING CLOTHES WASHER.—Sub-
section (f) of section 45M is amended by redesign-
ating paragraphs (4), (5), (6), and (7) as para-
graphs (5), (6), (7), and (8), respectively, and by in-
serting after paragraph (3) the following new para-
graph:

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

(4) REPLACEMENT OF ENERGY FACTOR.—Sec-
tion 45M(f)(6), as redesignated by paragraph (3), is
amended to read as follows:

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

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

“(9) GALLONS PER CYCLE.—The term ‘gallons per cycle’ means, with respect to a dishwasher, the amount of water, expressed in gallons, required to complete a normal cycle of a dishwasher.

“(10) WATER CONSUMPTION FACTOR.—The term ‘water consumption factor’ means, with respect to a clothes washer, the quotient of the total weighted per-cycle water consumption divided by the cubic foot (or liter) capacity of the clothes washer.”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to appliances produced after December 31, 2007.

SEC. 145. ACCELERATED RECOVERY PERIOD FOR DEPRECIATION OF SMART METERS AND SMART GRID SYSTEMS.

(a) IN GENERAL.—Section 168(e)(3)(D) is amended by striking “and” at the end of clause (i), by striking the period at the end of clause (ii) and inserting “, and”, and by inserting after clause (ii) the following new clauses:
“(iii) any qualified smart electric meter, and

“(iv) any qualified smart electric grid system.”.

(b) DEFINITIONS.—Section 168(i) is amended by inserting at the end the following new paragraph:

“(18) QUALIFIED SMART ELECTRIC METERS.—

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

“(B) SMART ELECTRIC METER.—For purposes of subparagraph (A), the term ‘smart electric meter’ means any time-based meter and related communication equipment which is capable of being used by the taxpayer as part of a system that—

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

“(ii) provides for the exchange of information between supplier or provider and the customer’s electric meter in support of
time-based rates or other forms of demand response,

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

“(iv) provides net metering.

“(19) QUALIFIED SMART ELECTRIC GRID SYSTEMS.—

“(A) IN GENERAL.—The term ‘qualified smart electric grid system’ means any smart grid property used as part of a system for electric distribution grid communications, monitoring, and management placed in service by a taxpayer who is a supplier of electric energy or a provider of electric energy services.

“(B) SMART GRID PROPERTY.—For the purposes of subparagraph (A), the term ‘smart grid property’ means electronics and related equipment that is capable of—

“(i) sensing, collecting, and monitoring data of or from all portions of a utility’s electric distribution grid,
“(ii) providing real-time, two-way communications to monitor or manage such grid, and
“(iii) providing real time analysis of and event prediction based upon collected data that can be used to improve electric distribution system reliability, quality, and performance.”.

(c) CONTINUED APPLICATION OF 150 PERCENT DECLINING BALANCE METHOD.—Paragraph (2) of section 168(b) is amended by striking “or” at the end of subparagraph (B), by redesignating subparagraph (C) as subparagraph (D), and by inserting after subparagraph (B) the following new subparagraph:
“(C) any property (other than property described in paragraph (3)) which is a qualified smart electric meter or qualified smart electric grid system, or”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after the date of the enactment of this Act.
SEC. 146. QUALIFIED GREEN BUILDING AND SUSTAINABLE DESIGN PROJECTS.

(a) In General.—Paragraph (8) of section 142(l) is amended by striking “September 30, 2009” and inserting “September 30, 2012”.

(b) Treatment of Current Refunding Bonds.—Paragraph (9) of section 142(l) is amended by striking “October 1, 2009” and inserting “October 1, 2012”.

(c) Accountability.—The second sentence of section 701(d) of the American Jobs Creation Act of 2004 is amended by striking “issuance,” and inserting “issuance of the last issue with respect to such project”.

TITLE II—ONE-YEAR EXTENSION OF TEMPORARY PROVISIONS
Subtitle A—Extensions Primarily Affecting Individuals

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

(a) In General.—Subparagraph (I) of section 164(b)(5) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.
1 SEC. 202. DEDUCTION OF QUALIFIED TUITION AND RELATED EXPENSES.

(a) In General.—Subsection (e) of section 222 is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Effective Date.—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 203. TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.

(a) Interest-Related Dividends.—Subparagraph (C) of section 871(k)(1) (defining interest-related dividend) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(b) Short-Term Capital Gain Dividends.—Subparagraph (C) of section 871(k)(2) (defining short-term capital gain dividend) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

(c) Effective Date.—The amendments made by this section shall apply to dividends with respect to taxable years of regulated investment companies beginning after December 31, 2007.

SEC. 204. QUALIFIED CONSERVATION CONTRIBUTIONS.

(a) In General.—Paragraphs (1)(E)(vi) and (2)(B)(iii) of section 170(b) are each amended by striking
“December 31, 2007” and inserting “December 31, 2008”.

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

**SEC. 205. TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.**

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

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

**SEC. 206. DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.**

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

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.
SEC. 207. ELECTION TO INCLUDE COMBAT PAY AS EARNED

INCOME FOR PURPOSES OF EARNED INCOME

TAX CREDIT.

(a) In General.—Subclause (II) of section 32(c)(2)(B)(vi) (defining earned income) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) Conforming Amendment.—Paragraph (4) of section 6428(c) is amended by striking “except that” and all that follows through “such term” and inserting “except that such term”.

(c) Effective Date.—The amendment made by this section shall apply to taxable years ending after December 31, 2007.

SEC. 208. MODIFICATION OF MORTGAGE REVENUE BONDS FOR VETERANS.

(a) Qualified Mortgage Bonds Used To Finance Residences For Veterans Without Regard To First-Time Homebuyer Requirement.—Subparagraph (D) of section 143(d)(2) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) Effective Date.—The amendment made by this section shall apply to bonds issued after December 31, 2007.
SEC. 209. DISTRIBUTIONS FROM RETIREMENT PLANS TO INDIVIDUALS CALLED TO ACTIVE DUTY.

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

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

SEC. 210. STOCK IN RIC FOR PURPOSES OF DETERMINING ESTATES OF NONRESIDENTS NOT CITIZENS.

(a) IN GENERAL.—Paragraph (3) of section 2105(d) is amended by striking "December 31, 2007" and inserting "December 31, 2008".

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

SEC. 211. QUALIFIED INVESTMENT ENTITIES.

(a) IN GENERAL.—Clause (ii) of section 897(h)(4)(A) is amended by striking "December 31, 2007" and inserting "December 31, 2008".

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 2008, except that such amendment shall not apply to the application of withholding requirements with respect to any payment made on or before the date of the enactment of this Act.
SEC. 212. EXCLUSION OF AMOUNTS RECEIVED UNDER QUALIFIED GROUP LEGAL SERVICES PLANS.

(a) In General.—Subsection (e) of section 120 is amended by striking "shall not apply to taxable years beginning after June 30, 1992" and inserting "shall apply to taxable years beginning after December 31, 2007, and before January 1, 2009".

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

Subtitle B—Extensions Primarily Affecting Businesses

SEC. 221. RESEARCH CREDIT.

(a) In General.—Subparagraph (B) of section 41(h)(1) is amended by striking "December 31, 2007" and inserting "December 31, 2008".

(b) Computation of Credit for Taxable Year in Which Credit Terminates.—Paragraph (2) of section 41(h) is amended to read as follows:

"(2) Computation of credit for taxable year in which credit terminates.—"

"(A) In General.—In the case of any taxable year with respect to which this section applies to a number of days which is less than the total number of days in such taxable year, the applicable base amount with respect to such
taxable year shall be the amount which bears
the same ratio to such applicable amount (de-
termined without regard to this paragraph) as
the number of days in such taxable year to
which this section applies bears to the total
number of days in such taxable year.

“(B) APPLICABLE BASE AMOUNT.—For
purposes of subparagraph (A), the term ‘appli-
cable base amount’ means, with respect to any
taxable year—

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

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

“(iii) in the case of a taxable year
with respect to which an election under
subsection (c)(5) (relating to election of al-
ternative simplified credit) is in effect, the
average qualified research expenses for the
3 taxable years preceding the taxable year.

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

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or incurred after December 31, 2007.

SEC. 222. INDIAN EMPLOYMENT CREDIT.

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

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

SEC. 223. NEW MARKETS TAX CREDIT.

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

SEC. 224. RAILROAD TRACK MAINTENANCE.

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred during taxable years beginning after December 31, 2007.
SEC. 225. FIFTEEN-YEAR STRAIGHT-LINE COST RECOVERY
FOR QUALIFIED LEASEHOLD IMPROVEMENTS
AND QUALIFIED RESTAURANT PROPERTY.
(a) In General.—Clauses (iv) and (v) of section 168(e)(3)(E) are each amended by striking "January 1, 2008" and inserting "January 1, 2009".
(b) Effective Date.—The amendments made by this section shall apply to property placed in service after December 31, 2007.

SEC. 226. SEVEN-YEAR COST RECOVERY PERIOD FOR MOTORSPORTS RACING TRACK FACILITY.
(a) In General.—Subparagraph (D) of section 168(i)(15) is amended by striking "December 31, 2007" and inserting "December 31, 2008".
(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2007.

SEC. 227. ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON INDIAN RESERVATION.
(a) In General.—Paragraph (8) of section 168(j) is amended by striking "December 31, 2007" and inserting "December 31, 2008".
(b) Effective Date.—The amendment made by this section shall apply to property placed in service after December 31, 2007.
SEC. 228. EXPENSING OF ENVIRONMENTAL REMEDIATION COSTS.

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

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

SEC. 229. DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.

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

(1) by striking “first 2 taxable years” and inserting “first 3 taxable years”, and

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

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2007.

SEC. 230. MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.

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

f:\1065\1406\51408\240.xml May 14, 2008 (1:55 p.m.) 4059354(4)
(b) **Effective Date.**—The amendment made by this section shall apply to payments received or accrued after December 31, 2007.

**Sec. 231. Qualified Zone Academy Bonds.**

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

"**Sec. 54D. Qualified Zone Academy Bonds.**

"(a) **Qualified Zone Academy Bonds.**—For purposes of this subchapter, the term ‘qualified zone academy bond’ means any bond issued as part of an issue if—

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

"(2) the bond is issued by a State or local government within the jurisdiction of which such academy is located, and

"(3) the issuer—

"(A) designates such bond for purposes of this section,

"(B) certifies that it has written assurances that the private business contribution re-
requirement of subsection (b) will be met with respect to such academy, and

"(C) certifies that it has the written approval of the eligible local education agency for such bond issuance.

"(b) PRIVATE BUSINESS CONTRIBUTION REQUIREMENT.—For purposes of subsection (a), the private business contribution requirement of this subsection is met with respect to any issue if the eligible local education agency that established the qualified zone academy has written commitments from private entities to make qualified contributions having a present value (as of the date of issuance of the issue) of not less than 10 percent of the proceeds of the issue.

"(c) LIMITATION ON AMOUNT OF BONDS DESIGNATED.—

“(1) NATIONAL LIMITATION.—There is a national zone academy bond limitation for each calendar year. Such limitation is $400,000,000 for 2008, and, except as provided in paragraph (4), zero thereafter.

“(2) ALLOCATION OF LIMITATION.—The national zone academy bond limitation for a calendar year shall be allocated by the Secretary among the States on the basis of their respective populations of
individuals below the poverty line (as defined by the
Office of Management and Budget). The limitation
amount allocated to a State under the preceding
sentence shall be allocated by the State education
agency to qualified zone academies within such
State.

"(3) DESIGNATION SUBJECT TO LIMITATION
AMOUNT.—The maximum aggregate face amount of
bonds issued during any calendar year which may be
designated under subsection (a) with respect to any
qualified zone academy shall not exceed the limita-
tion amount allocated to such academy under para-
graph (2) for such calendar year.

"(4) CARRYOVER OF UNUSED LIMITATION.—

"(A) IN GENERAL.—If for any calendar
year—

"(i) the limitation amount for any
State, exceeds

"(ii) the amount of bonds issued dur-
ing such year which are designated under
subsection (a) with respect to qualified
zone academies within such State,
the limitation amount for such State for the fol-
lowing calendar year shall be increased by the
amount of such excess.
"(B) LIMITATION ON CARRYOVER.—Any carryforward of a limitation amount may be carried only to the first 2 years following the unused limitation year. For purposes of the preceding sentence, a limitation amount shall be treated as used on a first-in first-out basis.

"(C) COORDINATION WITH SECTION 1397E.—Any carryover determined under section 1397E(e)(4) (relating to carryover of unused limitation) with respect to any State to calendar year 2008 shall be treated for purposes of this section as a carryover with respect to such State for such calendar year under subparagraph (A), and the limitation of subparagraph (B) shall apply to such carryover taking into account the calendar years to which such carryover relates.

"(d) DEFINITIONS.—For purposes of this section—

"(1) QUALIFIED ZONE ACADEMY.—The term ‘qualified zone academy’ means any public school (or academic program within a public school) which is established by and operated under the supervision of an eligible local education agency to provide education or training below the postsecondary level if—
“(A) such public school or program (as the case may be) is designed in cooperation with business to enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the rigors of college and the increasingly complex workforce,

“(B) students in such public school or program (as the case may be) will be subject to the same academic standards and assessments as other students educated by the eligible local education agency,

“(C) the comprehensive education plan of such public school or program is approved by the eligible local education agency, and

“(D)(i) such public school is located in an empowerment zone or enterprise community (including any such zone or community designated after the date of the enactment of this section), or

“(ii) there is a reasonable expectation (as of the date of issuance of the bonds) that at least 35 percent of the students attending such school or participating in such program (as the case may be) will be eligible for free or reduced-
cost lunches under the school lunch program established under the National School Lunch Act.

"(2) ELIGIBLE LOCAL EDUCATION AGENCY.—
For purposes of this section, the term 'eligible local education agency' means any local educational agency as defined in section 9101 of the Elementary and Secondary Education Act of 1965.

"(3) QUALIFIED PURPOSE.—The term 'qualified purpose' means, with respect to any qualified zone academy—

"(A) rehabilitating or repairing the public school facility in which the academy is established,

"(B) providing equipment for use at such academy,

"(C) developing course materials for education to be provided at such academy, and

"(D) training teachers and other school personnel in such academy.

"(4) QUALIFIED CONTRIBUTIONS.—The term 'qualified contribution' means any contribution (of a type and quality acceptable to the eligible local education agency) of—
“(A) equipment for use in the qualified
zone academy (including state-of-the-art tech-
nology and vocational equipment),
“(B) technical assistance in developing
curriculum or in training teachers in order to
promote appropriate market driven technology
in the classroom,
“(C) services of employees as volunteer
mentors,
“(D) internships, field trips, or other edu-
cational opportunities outside the academy for
students, or
“(E) any other property or service speci-
fied by the eligible local education agency.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 54A(d), as amend-
ed by sections 106 and 141, is amended by striking
“or” at the end of subparagraph (A), by inserting
“or” at the end of subparagraph (B), and by insert-
ing after subparagraph (B) the following new sub-
paragraph:
“(C) a qualified zone academy bond,”.

(2) Subparagraph (C) of section 54A(d)(2), as
amended by sections 106 and 141, is amended by
striking “and” at the end of clause (i), by striking
the period at the end of clause (ii) and inserting “, and”, and by adding at the end the following new clause:

“(iii) in the case of a qualified zone academy bond, a purpose specified in section 54D(a)(1).”.

(3) Section 1397E is amended by adding at the end the following new subsection:

“(m) **TERMINATION.**—This section shall not apply to any obligation issued after the date of the enactment of this Act.”.

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

“Sec. 54D. Qualified zone academy bonds.”.

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

**SEC. 232. TAX INCENTIVES FOR INVESTMENT IN THE DISTRICT OF COLUMBIA.**

(a) **DESIGNATION OF ZONE.**—

(1) **IN GENERAL.**—Subsection (f) of section 1400 is amended by striking “2007” both places it appears and inserting “2008”.
(2) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to periods beginning after December 31, 2007.

(b) **TAX-EXEMPT ECONOMIC DEVELOPMENT BONDS.**—

(1) **IN GENERAL.**—Subsection (b) of section 1400A is amended by striking “2007” and inserting “2008”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to bonds issued after December 31, 2007.

(c) **ZERO PERCENT CAPITAL GAINS RATE.**—

(1) **IN GENERAL.**—Subsection (b) of section 1400B is amended by striking “2008” each place it appears and inserting “2009”.

(2) **CONFORMING AMENDMENTS.**—

(A) Section 1400B(e)(2) is amended—

(i) by striking “2012” and inserting “2013”, and

(ii) by striking “2012” in the heading thereof and inserting “2013”.

(B) Section 1400B(g)(2) is amended by striking “2012” and inserting “2013”.

(C) Section 1400F(d) is amended by striking “2012” and inserting “2013”.
147

(3) EFFECTIVE DATES.—

(A) EXTENSION.—The amendments made
by paragraph (1) shall apply to acquisitions

(B) CONFORMING AMENDMENTS.—The
amendments made by paragraph (2) shall take
effect on the date of the enactment of this Act.

(d) FIRST-TIME HOMEBUYER CREDIT.—

(1) IN GENERAL.—Subsection (i) of section
1400C is amended by striking “2008” and inserting
“2009”.

(2) EFFECTIVE DATE.—The amendment made
by this subsection shall apply to property purchased

SEC. 233. ECONOMIC DEVELOPMENT CREDIT FOR AMER-

ICAN SAMOA.

(a) IN GENERAL.—Subsection (d) of section 119 of
division A of the Tax Relief and Health Care Act of 2006
is amended—

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

(2) by striking “January 1, 2008” and insert-
ing “January 1, 2009”.

f:\V106051408\051408.240.xml   (405935)(4)
May 14, 2008 (1:55 p.m.)
(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2007.

4 **SEC. 234. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.**

(a) **IN GENERAL.**—Clause (iv) of section 170(e)(3)(C) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

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

5 **SEC. 235. ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF BOOK INVENTORY TO PUBLIC SCHOOLS.**

(a) **IN GENERAL.**—Clause (iv) of section 170(e)(3)(D) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

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

6 **SEC. 236. ENHANCED DEDUCTION FOR QUALIFIED COMPUTER CONTRIBUTIONS.**

(a) **IN GENERAL.**—Subparagraph (G) of section 170(e)(6) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.
(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made during taxable years beginning after December 31, 2007.

**SEC. 237. BASIS ADJUSTMENT TO STOCK OF S CORPORATIONS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.**

(a) **IN GENERAL.**—The last sentence of section 1367(a)(2) is amended by striking “December 31, 2007” and inserting “December 31, 2008”.

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

**SEC. 238. WORK OPPORTUNITY TAX CREDIT FOR HURRICANE KATRINA EMPLOYEES.**

(a) **IN GENERAL.**—Paragraph (1) of section 201(b) of the Katrina Emergency Tax Relief Act of 2005 is amended by striking “2-year” and inserting “3-year”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall apply to individuals hired after August 27, 2007.

**SEC. 239. SUBPART F EXCEPTION FOR ACTIVE FINANCING INCOME.**

(a) **EXEMPT INSURANCE INCOME.**—Paragraph (10) of section 953(e) (relating to application) is amended—
1 (1) by striking “January 1, 2009” and inserting “January 1, 2010”, and
2 (2) by striking “December 31, 2008” and inserting “December 31, 2009”.
3
4 (b) Exception to treatment as foreign personal holding company income.—Paragraph (9) of
5 section 954(h) (relating to application) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.
6
7 sec. 240. LOOK-THRU RULE FOR RELATED CONTROLLED FOREIGN CORPORATIONS.
8
9 (a) In general.—Subparagraph (B) of section 954(e)(6) (relating to application) is amended by striking
10 “January 1, 2009” and inserting “January 1, 2010”.
11
12 (b) Effective date.—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2008, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.
13
14 sec. 241. EXPENSING FOR CERTAIN QUALIFIED FILM AND TELEVISION PRODUCTIONS.
15
16 (a) In general.—Subsection (f) of section 181 is amended by striking “December 31, 2008” and inserting “December 31, 2009”.
(b) **Effective Date.**—The amendment made by this section shall apply to productions commencing after December 31, 2008.

### Subtitle C—Other Extensions

**SEC. 251. Authority to disclose information related to terrorist activities made permanent.**

(a) **In General.**—Subparagraph (C) of section 6103(i)(3) is amended by striking clause (iv).

(b) **Disclosure on Request.**—Paragraph (7) of section 6103(i) is amended by striking subparagraph (E).

(c) **Effective Date.**—The amendments made by this section shall apply to disclosures after the date of the enactment of this Act.

**SEC. 252. Authority for undercover operations made permanent.**

(a) **In General.**—Subsection (e) of section 7608 is amended by striking paragraph (6).

(b) **Effective Date.**—The amendment made by this section shall take effect on January 1, 2008.

**SEC. 253. Authority to disclose return information for certain veterans programs made permanent.**

(a) **In General.**—Paragraph (7) of section 6103(l) is amended by striking the last sentence thereof.
(b) Conforming Amendment.—Section 6103(l)(7)(D)(viii)(III) is amended by striking “sections 1710(a)(1)(I), 1710(a)(2), 1710(b), and 1712(a)(2)(B)” and inserting “sections 1710(a)(2)(G), 1710(a)(3), and 1710(b)”.

effective Date.—The amendment made by subsection (a) shall apply to requests made after September 30, 2008.

SEC. 254. INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAX TO PUERTO RICO AND THE VIRGIN ISLANDS.

(a) In General.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) Effective Date.—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2007.

TITLE III—ADDITIONAL TAX RELIEF

Subtitle A—Individual Tax Relief

SEC. 301. ADDITIONAL STANDARD DEDUCTION FOR REAL PROPERTY TAXES FOR NONITEMIZERS.

(a) In General.—Section 63(c)(1) (defining standard deduction) is amended by striking “and” at the end of subparagraph (A), by striking the period at the end
of subparagraph (B) and inserting "and", and by adding
at the end the following new subparagraph:

"(C) in the case of any taxable year begin-
ing in 2008, the real property tax deduction."

(b) DEFINITION.—Section 63(c) is amended by add-
ing at the end the following new paragraph:

"(7) REAL PROPERTY TAX DEDUCTION.—For
purposes of paragraph (1), the real property tax de-
duction is the lesser of—

"(A) the amount allowable as a deduction
under this chapter for State and local taxes de-
scribed in section 164(a)(1), or

"(B) $350 ($700 in the case of a joint re-
turn).

Any taxes taken into account under section 62(a)
shall not be taken into account under this para-
graph."

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years beginning after

SEC. 302. REFUNDABLE CHILD CREDIT.

(a) MODIFICATION OF THRESHOLD AMOUNT.—
Clause (i) of section 24(d)(1)(B) is amended by inserting
"($8,500 in the case of taxable years beginning in 2008)"
after ""$10,000"".
(b) Effective Date.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2007.

Sec. 303. Increase of AMT Refundable Credit Amount for Individuals with Long-Term Unused Credits for Prior Year Minimum Tax Liability, etc.

(a) In General.—Paragraph (2) of section 53(e) is amended to read as follows:

"(2) AMT refundable credit amount.—For purposes of paragraph (1), the term ‘AMT refundable credit amount’ means, with respect to any taxable year, the amount (not in excess of the long-term unused minimum tax credit for such taxable year) equal to the greater of—

"(A) 50 percent of the long-term unused minimum tax credit for such taxable year, or

"(B) the amount (if any) of the AMT refundable credit amount for the taxpayer’s preceding taxable year (determined without regard to subsection (f)(2))."

(b) Treatment of Certain Underpayments, Interest, and Penalties Attributable to the Treatment of Incentive Stock Options.—Section 53 is
amended by adding at the end the following new subsection:

“(f) TREATMENT OF CERTAIN UNDERPAYMENTS, INTEREST, AND PENALTIES ATTRIBUTABLE TO THE TREATMENT OF INCENTIVE STOCK OPTIONS.—

“(1) ABATEMENT.—Any underpayment of tax outstanding on the date of the enactment of this subsection which is attributable to the application of section 56(b)(3) for any taxable year ending before January 1, 2008 (and any interest or penalty with respect to such underpayment which is outstanding on such date of enactment), is hereby abated. The amount determined under subsection (b)(1) shall not include any tax abated under the preceding sentence.

“(2) INCREASE IN CREDIT FOR CERTAIN INTEREST AND PENALTIES ALREADY PAID.—The AMT refundable credit amount for the taxpayer’s first 2 taxable years beginning after December 31, 2007, shall each be increased by 50 percent of the aggregate amount of the interest and penalties which were paid by the taxpayer before the date of the enactment of this subsection and which would (but for such payment) have been abated under paragraph (1).”.

(e) EFFECTIVE DATE.—
(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to taxable years beginning after December 31, 2007.

(2) ABATEMENT.—Section 53(f)(1) of the Internal Revenue Code of 1986, as added by subsection (b), shall take effect on the date of the enactment of this Act.

Subtitle B—Business Related Provisions

SEC. 311. UNIFORM TREATMENT OF ATTORNEY-ADVANCED EXPENSES AND COURT COSTS IN CONTINGENCY FEE CASES.

(a) IN GENERAL.—Section 162 is amended by redesignating subsection (q) as subsection (r) and by inserting after subsection (p) the following new subsection:

“(q) ATTORNEY-ADVANCED EXPENSES AND COURT COSTS IN CONTINGENCY FEE CASES.—In the case of any expense or court cost which is paid or incurred in the course of the trade or business of practicing law and the repayment of which is contingent on a recovery by judgment or settlement in the action to which such expense or cost relates, the deduction under subsection (a) shall be determined as if such expense or cost was not subject to repayment.”
(b) **Effective Date.**—The amendment made by this section shall apply to expenses and costs paid or incurred in taxable years beginning after the date of the enactment of this Act.

**SEC. 312. PROVISIONS RELATED TO FILM AND TELEVISION PRODUCTIONS.**

(a) Modification of Limitation on Expensing.—Subparagraph (A) of section 181(a)(2) is amended to read as follows:

"(A) **In general.**—Paragraph (1) shall not apply to so much of the aggregate cost of any qualified film or television production as exceeds $15,000,000."

(b) Modifications to Deduction for Domestic Activities.—

(1) Determination of W-2 Wages.—Paragraph (2) of section 199(b) is amended by adding at the end the following new subparagraph:

"(D) **Special rule for qualified film.**—In the case of a qualified film, such term shall include compensation for services performed in the United States by actors, production personnel, directors, and producers."

(2) Definition of Qualified Film.—Paragraph (6) of section 199(c) is amended by adding at..."
the end the following: "A qualified film shall include
any copyrights, trademarks, or other intangibles
with respect to such film. The methods and means
of distributing a qualified film shall not affect the
availability of the deduction under this section.”.

(3) PARTNERSHIPS.—Subparagraph (A) of sec-
tion 199(d)(1) is amended by striking “and” at the
end of clause (ii), by striking the period at the end
of clause (iii) and inserting “, and”, and by adding
at the end the following new clause:

“(iv) in the case of each partner of a
partnership, or shareholder of an S cor-
poration, who owns (directly or indirectly)
at least 20 percent of the capital interests
in such partnership or of the stock of such
S corporation—

“(I) such partner or shareholder
shall be treated as having engaged di-
rectly in any film produced by such
partnership or S corporation, and

“(II) such partnership or S cor-
poration shall be treated as having en-
gaged directly in any film produced by
such partner or shareholder.”.

(c) EFFECTIVE DATE.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to taxable years beginning after December 31, 2007.

(2) EXPENSING.—The amendments made by subsection (a) shall apply to qualified film and television productions commencing after December 31, 2007.

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

SEC. 321. MODIFICATION OF PENALTY ON UNDERSTATEMENT OF TAXPAYER'S LIABILITY BY TAX RETURN PREPARER.

(a) IN GENERAL.—Subsection (a) of section 6694 (relating to understatement due to unreasonable positions) is amended to read as follows:

“(a) UNDERSTATEMENT DUE TO UNREASONABLE POSITIONS.—

“(1) IN GENERAL.—If a tax return preparer—

“(A) prepares any return or claim of refund with respect to which any part of an understatement of liability is due to a position described in paragraph (2), and
“(B) knew (or reasonably should have
known) of the position,
such tax return preparer shall pay a penalty with re-
spect to each such return or claim in an amount
equal to the greater of $1,000 or 50 percent of the
income derived (or to be derived) by the tax return
preparer with respect to the return or claim.

“(2) UNREASONABLE POSITION.—

“(A) IN GENERAL.—Except as otherwise
provided in this paragraph, a position is de-
scribed in this paragraph unless there is or was
substantial authority for the position.

“(B) DISCLOSED POSITIONS.—If the posi-
tion was disclosed as provided in section
6662(d)(2)(B)(ii)(I) and is not a position to
which subparagraph (C) applies, the position is
described in this paragraph unless there is a
reasonable basis for the position.

“(C) TAX SHELTERS AND REPORTABLE
TRANSACTIONS.—If the position is with respect
to a tax shelter (as defined in section
6662(d)(2)(C)(ii)) or a reportable transaction
to which section 6662A applies, the position is
described in this paragraph unless it is reason-
\begin{verbatim}
able to believe that the position would more
likely than not be sustained on its merits.
“(3) REASONABLE CAUSE EXCEPTION.—No
penalty shall be imposed under this subsection if it
is shown that there is reasonable cause for the un-
derstatement and the tax return preparer acted in
good faith.”.
(b) EFFECTIVE DATE.—The amendment made by
this section shall apply—
(1) in the case of a position other than a posi-
tion described in subparagraph (C) of section
6694(a)(2) of the Internal Revenue Code of 1986
(as amended by this section), to returns prepared
after May 25, 2007, and
(2) in the case of a position described in such
subparagraph (C), to returns prepared for taxable
years ending after the date of the enactment of this
Act.
\end{verbatim}
1 RELATED CASUALTY LOSS GRANTS BY DISALLOWING PREVIOUSLY TAKEN CASUALTY LOSS DEDUCTIONS.—

(1) IN GENERAL.—Notwithstanding any other provision of the Internal Revenue Code of 1986, if a taxpayer claims a deduction for any taxable year with respect to a casualty loss to a principal residence (within the meaning of section 121 of such Code) resulting from Hurricane Katrina, Hurricane Rita, or Hurricane Wilma and in a subsequent taxable year receives a grant under Public Law 109–148, 109–234, or 110–116 as reimbursement for such loss, such taxpayer may elect to file an amended income tax return for the taxable year in which such deduction was allowed (and for any taxable year to which such deduction is carried) and reduce (but not below zero) the amount of such deduction by the amount of such reimbursement.

(2) TIME OF FILING AMENDED RETURN.— Paragraph (1) shall apply with respect to any grant only if any amended income tax returns with respect to such grant are filed not later than the later of—

(A) the due date for filing the tax return for the taxable year in which the taxpayer receives such grant, or
(B) the date which is 1 year after the date
of the enactment of this Act.

(3) WAIVER OF PENALTIES AND INTEREST.—
Any underpayment of tax resulting from the reduc-
tion under paragraph (1) of the amount otherwise
allowable as a deduction shall not be subject to any
penalty or interest under such Code if such tax is
paid not later than 1 year after the filing of the
amended return to which such reduction relates.

(b) WAIVER OF DEADLINE ON CONSTRUCTION OF
GO ZONE PROPERTY ELIGIBLE FOR BONUS DEPRECI-
ATION.—

(1) IN GENERAL.—Subparagraph (B) of section
1400N(d)(3) is amended to read as follows:

“(B) without regard to ‘and before Janu-
ary 1, 2009’ in clause (i) thereof,”.

(2) EFFECTIVE DATE.—The amendment made
by this subsection shall apply to property placed in

(e) INCLUSION OF CERTAIN COUNTIES IN GULF OPPORTUNITY ZONE FOR PURPOSES OF TAX-EXEMPT BOND
FINANCING.—

(1) IN GENERAL.—Subsection (a) of section
1400N is amended by adding at the end the fol-
lowing new paragraph:
“(8) inclusion of certain counties.—For purposes of this subsection, the Gulf Opportunity Zone includes Colbert County, Alabama and Dallas County, Alabama.”.

(2) Effective date.—The amendment made by this subsection shall take effect as if included in the provisions of the Gulf Opportunity Zone Act of 2005 to which it relates.

TITLE IV—REVENUE PROVISIONS

SEC. 401. NONQUALIFIED DEFERRED COMPENSATION FROM CERTAIN TAX INDIFFERENT PARTIES.

(a) In General.—Subpart B of part II of subchapter E of chapter 1 is amended by inserting after section 457 the following new section:

“SEC. 457A. NONQUALIFIED DEFERRED COMPENSATION FROM CERTAIN TAX INDIFFERENT PARTIES.

“(a) In General.—Any compensation which is deferred under a nonqualified deferred compensation plan of a nonqualified entity shall be includible in gross income when there is no substantial risk of forfeiture of the rights to such compensation.

“(b) Nonqualified Entity.—For purposes of this section, the term ‘nonqualified entity’ means—
"(1) any foreign corporation unless substantially all of its income is—

"(A) effectively connected with the conduct of a trade or business in the United States, or

"(B) subject to a comprehensive foreign income tax, and

"(2) any partnership unless substantially all of its income is allocated to persons other than—

"(A) foreign persons with respect to whom such income is not subject to a comprehensive foreign income tax, and

"(B) organizations which are exempt from tax under this title.

"(e) DETERMINABILITY OF AMOUNTS OF COMPENSATION.—

"(1) IN GENERAL.—If the amount of any compensation is not determinable at the time that such compensation is otherwise includible in gross income under subsection (a)—

"(A) such amount shall be so includible in gross income when determinable, and

"(B) the tax imposed under this chapter for the taxable year in which such compensation is includible in gross income shall be increased by the sum of—
“(i) the amount of interest determined under paragraph (2), and
“(ii) an amount equal to 20 percent of the amount of such compensation.
“(2) INTEREST.—For purposes of paragraph (1)(B)(i), the interest determined under this paragraph for any taxable year is the amount of interest at the underpayment rate under section 6621 plus 1 percentage point on the underpayments that would have occurred had the deferred compensation been includible in gross income for the taxable year in which first deferred or, if later, the first taxable year in which such deferred compensation is not subject to a substantial risk of forfeiture.
“(d) OTHER DEFINITIONS AND SPECIAL RULES.—For purposes of this section—
“(1) SUBSTANTIAL RISK OF FORFEITURE.—
“(A) IN GENERAL.—The rights of a person to compensation shall be treated as subject to a substantial risk of forfeiture only if such person’s rights to such compensation are conditioned upon the future performance of substantial services by any individual.
"(B) Exception for compensation based on gain recognized on an investment asset.—

"(i) In general.—To the extent provided in regulations prescribed by the Secretary, if compensation is determined solely by reference to the amount of gain recognized on the disposition of an investment asset, such compensation shall be treated as subject to a substantial risk of forfeiture until the date of such disposition.

"(ii) Investment asset.—For purposes of clause (i), the term ‘investment asset’ means any single asset (other than an investment fund or similar entity)—

"(I) acquired directly by an investment fund or similar entity,

"(II) with respect to which such entity does not (nor does any person related to such entity) participate in the active management of such asset (or if such asset is an interest in an entity, in the active management of the activities of such entity), and
“(III) substantially all of any gain on the disposition of which (other than such deferred compensation) is allocated to investors in such entity.

“(iii) COORDINATION WITH SPECIAL RULE.—Paragraph (3)(B) shall not apply to any compensation to which clause (i) applies.

“(2) COMPREHENSIVE FOREIGN INCOME TAX.—
The term ‘comprehensive foreign income tax’ means, with respect to any foreign person, the income tax of a foreign country if—

“(A) such person is eligible for the benefits of a comprehensive income tax treaty between such foreign country and the United States, or

“(B) such person demonstrates to the satisfaction of the Secretary that such foreign country has a comprehensive income tax.

“(3) NONQUALIFIED DEFERRED COMPENSATION PLAN.—

“(A) IN GENERAL.—The term ‘nonqualified deferred compensation plan’ has the meaning given such term under section 409A(d), except that such term shall include any plan that provides a right to compensation
based on the appreciation in value of a specified 
number of equity units of the service recipient.

"(B) Exception.—Compensation shall 
not be treated as deferred for purposes of this 
section if the service provider receives payment 
of such compensation not later than 12 months 
after the end of the taxable year of the service 
recipient during which the right to the payment 
of such compensation is no longer subject to a 
substantial risk of forfeiture.

"(4) Exception for certain compensation 
with respect to effectively connected in-
come.—In the case a foreign corporation with in-
come which is taxable under section 882, this section 
shall not apply to compensation which, had such 
compensation had been paid in cash on the date that 
such compensation ceased to be subject to a sub-
stantial risk of forfeiture, would have been deduct-
ible by such foreign corporation against such income.

"(5) Application of rules.—Rules similar to 
the rules of paragraphs (5) and (6) of section 
409A(d) shall apply.

"(e) Regulations.—The Secretary shall prescribe 
such regulations as may be necessary or appropriate to 
carry out the purposes of this section, including regula-
tions disregarding a substantial risk of forfeiture in cases where necessary to carry out the purposes of this section.”.

(b) CONFORMING AMENDMENT.—Section 26(b)(2) is amended by striking “and” at the end of subparagraph (U), by striking the period at the end of subparagraph (V) and inserting “, and”, and by adding at the end the following new subparagraph:

“(W) section 457A(c)(1)(B) (relating to determinability of amounts of compensation).”.

c) CLERICAL AMENDMENT.—The table of sections of subpart B of part II of subchapter E of chapter 1 is amended by inserting after the item relating to section 457 the following new item:

“Sec. 457A. Nonqualified deferred compensation from certain tax indifferent parties.”.

d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to amounts deferred which are attributable to services performed after December 31, 2008.

(2) APPLICATION TO EXISTING DEFERRALS.—

In the case of any amount deferred to which the amendments made by this section do not apply solely by reason of the fact that the amount is attributable
to services performed before January 1, 2009, to the extent such amount is not includible in gross income in a taxable year beginning before 2018, such amounts shall be includible in gross income in the later of—

(A) the last taxable year beginning before 2018, or

(B) the taxable year in which there is no substantial risk of forfeiture of the rights to such compensation (determined in the same manner as determined for purposes of section 457A of the Internal Revenue Code of 1986, as added by this section).

(3) CHARITABLE CONTRIBUTIONS OF EXISTING DEFERRALS PERMITTED.—

(A) IN GENERAL.—Notwithstanding section 170(b) of the Internal Revenue Code of 1986, any qualified contribution shall be allowed as a deduction under section 170 of such Code for the taxpayer’s last taxable year beginning before 2018 to the extent the aggregate of such contributions made during such taxable year does not exceed the excess of the qualified inclusion amount over the amount of the deduction for all other charitable contributions allow-
able under section 170 of such Code for such taxable year. Proper adjustments shall be made under section 170(d) to take account of the preceding sentence.

(B) QUALIFIED CONTRIBUTION.—For purposes of this paragraph, the term “qualified contribution” means any charitable contribution (as defined in section 170(e) of such Code) made during taxpayer’s last taxable year beginning before 2018 if such contribution is paid in cash to an organization described in section 170(b)(1)(A) of such Code (other than any organization described in section 509(a)(3) of such Code or any fund or account described in section 4966(d)(2) of such Code).

(C) QUALIFIED INCLUSION AMOUNT.—For purposes of this paragraph, the term “qualified inclusion amount” means the amount includible in the taxpayer’s gross income for the last taxable year beginning before 2018 by reason of paragraph (2).

(4) ACCELERATED PAYMENTS.—No later than 120 days after the date of the enactment of this Act, the Secretary shall issue guidance providing a limited period of time during which a nonqualified de-
ferred compensation arrangement attributable to
services performed on or before December 31, 2008,
may, without violating the requirements of section
409A(a) of the Internal Revenue Code of 1986, be
amended to conform the date of distribution to the
date the amounts are required to be included in in-
come.

(5) CERTAIN BACK-TO-BACK ARRANGEMENTS.—
If the taxpayer is also a service recipient and main-
tains one or more nonqualified deferred compensa-
tion arrangements for its service providers under
which any amount is attributable to services per-
fomed on or before December 31, 2008, the guid-
ance issued under paragraph (4) shall permit such
arrangements to be amended to conform the dates of
distribution under such arrangement to the date
amounts are required to be included in the income
of such taxpayer under this subsection.

(6) ACCELERATED PAYMENT NOT TREATED AS
MATERIAL MODIFICATION.—Any amendment to a
nonqualified deferred compensation arrangement
made pursuant to paragraph (4) or (5) shall not be
treated as a material modification of the arrange-
ment for purposes of section 409A of the Internal
SEC. 402. DELAY IN APPLICATION OF WORLDWIDE ALLOCATION OF INTEREST.

(a) In General.—Paragraphs (5)(D) and (6) of section 864(f) are each amended by striking “December 31, 2008” and inserting “December 31, 2018”.

(b) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2008.

SEC. 403. TIME FOR PAYMENT OF CORPORATE ESTIMATED TAXES.

(a) Repeal of Adjustment for 2012.—Subparagraph (B) of section 401(1) of the Tax Increase Prevention and Reconciliation Act of 2005 is amended by striking the percentage contained therein and inserting “100 percent”.

(b) Modification of Adjustment for 2013.—The percentage under subparagraph (C) of section 401(1) of the Tax Increase Prevention and Reconciliation Act of 2005 in effect on the date of the enactment of this Act is increased by 36.75 percentage points.