IN THE SENATE OF THE UNITED STATES

JUNE 12, 2008

Mr. BAUCUS introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to extend certain expiring provisions, and for other purposes.

Be it enacted by the Senate and House of Representa-
tives 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 Independence and Tax Relief Act of 2008”.

(b) REFERENCE.—Except as otherwise expressly pro-
vided, 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 consid-
erred to be made to a section or other provision of the Internal Revenue Code of 1986.

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


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—Alternative Minimum Tax

Sec. 201. Extension of alternative minimum tax relief for nonrefundable personal credits.
Sec. 202. Extension of increased alternative minimum tax exemption amount.
Sec. 203. Increase of AMT refundable credit amount for individuals with long-term unused credits for prior year minimum tax liability, etc.

Subtitle B—Extensions Primarily Affecting Individuals

Sec. 211. Deduction for State and local sales taxes.
Sec. 212. Deduction of qualified tuition and related expenses.
Sec. 213. Treatment of certain dividends of regulated investment companies.
Sec. 214. Tax-free distributions from individual retirement plans for charitable purposes.
Sec. 215. Deduction for certain expenses of elementary and secondary school teachers.
Sec. 216. Stock in RIC for purposes of determining estates of nonresidents not citizens.
Sec. 217. Qualified investment entities.
Sec. 218. Exclusion of amounts received under qualified group legal services plans.

Subtitle C—Extensions Primarily Affecting Businesses

Sec. 221. Extension and modification of research credit.
Sec. 222. Indian employment credit.
Sec. 223. New markets tax credit.
Sec. 224. Railroad track maintenance.
Sec. 225. Extension of mine rescue team training credit.
Sec. 226. Extension of 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements; 15-year straight-line cost recovery for certain improvements to retail space.
Sec. 227. Seven-year cost recovery period for motorsports racing track facility.
Sec. 228. Accelerated depreciation for business property on Indian reservation.
Sec. 229. Extension of election to expense advanced mine safety equipment.
Sec. 230. Expensing of environmental remediation costs.
Sec. 231. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
Sec. 232. Modification of tax treatment of certain payments to controlling exempt organizations.
Sec. 233. Qualified zone academy bonds.
Sec. 234. Tax incentives for investment in the District of Columbia.
Sec. 235. Economic development credit for American Samoa.
Sec. 236. Enhanced charitable deduction for contributions of food inventory.
Sec. 238. Enhanced deduction for qualified computer contributions.
Sec. 239. Basis adjustment to stock of S corporations making charitable contributions of property.
Sec. 240. Work opportunity tax credit for Hurricane Katrina employees.
Sec. 241. Subpart F exception for active financing income.
Sec. 242. Look-thru rule for related controlled foreign corporations.
Sec. 243. Expensing for certain qualified film and television productions.
Sec. 244. Extension and modification of duty suspension on wool products; wool research fund; wool duty refunds.

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

TITLE III—ADDITIONAL RELIEF
Subtitle A—Individual Tax Relief
Sec. 301. Additional standard deduction for real property taxes for non-itemizers.
Sec. 302. $10,000 income threshold used to calculate refundable portion of child tax credit.
Sec. 303. Income averaging for amounts received in connection with the Exxon Valdez litigation.

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.
Sec. 313. Modification of rate of excise tax on certain wooden arrows designed for use by children.

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.

Subtitle E—Other Provisions
Sec. 341. Secure rural schools and community self-determination program.
Sec. 342. Clarification of uniform definition of child.

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, and
“(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(c) 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 reduced 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 FACILITY.—At the election of the taxpayer, all qualified 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.—Par-
agraph (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.—Par-
agraph (2) of section 45(d) is amended by redesig-
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 subparagraph 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.”.

(c) 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(e)(8) is amended to read as follows:

“(C) NONHYDROELECTRIC DAM.—For purposes of subparagraph (A), a facility is described 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(c) 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 (c) 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”.
(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(c) is amended by striking subparagraph (D) and redesignating subparagraph (E) as subparagraph (D).

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

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

(2) ALLOWANCE AGAINST ALTERNATIVE MIN-
IMUM 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 sub-
sections (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 amend-
ments 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”.

(e) 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.”.
(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 (c), 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 (c), 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 (c), 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 (c) of section 25D is amended to read as follows:

“(c) **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 excess 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 inserting “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 striking “section 23” and inserting “sections 23 and 25D”.

(D) Section 26(a)(1) is amended by striking “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 after December 31, 2007.
(2) APPLICATION OF EGTRRA SUNSET.—The amendments made by subparagraphs (A) and (B) of subsection (c)(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 (c) shall apply to transactions after the date of the enactment of this Act.

SEC. 106. NEW CLEAN RENEWABLE ENERGY BONDS.

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

“SEC. 54C. 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 governmental bodies, 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 33⅓ percent thereof may be allocated to qualified projects of public power providers,
“(B) not more than $33\frac{1}{3}$ percent thereof may be allocated to qualified projects of governmental bodies, and

“(C) not more than $33\frac{1}{3}$ 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 FACIL-
ITY.—The term ‘qualified renewable energy facility’
means a qualified facility (as determined under sec-
tion 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 sec-
tion 217 of the Federal Power Act (as in effect on
the date of the enactment of this paragraph).

“(3) GOVERNMENTAL BODY.—The term ‘gov-
ernmental 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 LEND-
er.—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 re-
newable energy bond lender, or a not-for-profit elec-
tric utility which has received a loan or loan guar-
antee under the Rural Electrification Act.’’.

(b) CONFORMING AMENDMENTS.—

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

“(1) QUALIFIED TAX CREDIT BOND.—The term
‘qualified tax credit bond’ means—

“(A) a qualified forestry conservation
bond, or

“(B) a new clean renewable energy 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) 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 qualified forestry conservation bond, a purpose specified in section 54B(e), and

“(ii) in the case of a new clean renewable energy 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 clean renewable energy bonds.”.

(e) EFFECTIVE DATE.—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 paragraph (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 dur-
ing 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 appli-
cant 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 estab-
lishes 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 de-
scribed 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 sub-paragraph (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 application for which is submitted during the period described in subsection (d)(2)(A)(ii), the project includes equipment which separates and sequesters 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 EMISSIONS.—Section 48A(e)(3) is amended by striking “and” at the end of subparagraph (A)(iii), by striking the period at the end of subparagraph (B)(iii) and inserting “, and”, and by adding at the end the following new sub-paragraph:

“(C) give highest priority to projects with the greatest separation and sequestration percentage 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:

“(i) 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) 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.”.

(e) 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) Disclosure of allocations.—The amendment made by subsection (d) shall apply to certifications made after the date of the enactment of this Act.

(3) Clerical amendment.—The amendment made by subsection (c)(5) shall take effect as if in-
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.”.

(c) 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 main-
tain 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 para-
graph:

“(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 per-
centage of total carbon dioxide emissions, and

“(B) give high priority to applicant partici-
pants 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 subpara-
graph (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 (c) 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 subparagraph (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 en-
actment 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.

(c) 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 pro-
ducer” means the person in whom is vested owner-
ship 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 proc-
essing) 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 exporter of record, or

(B) actually exported such coal to a foreign country or shipped such coal to a possession of the United States, or caused such coal to be so exported or shipped.

(3) RELATED PARTY.—The term “a party related 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 section 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 designee.
(c) **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.


SEC. 121. 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”.

(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. 122. 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 new sentence: “Such term does not include any fuel derived from coprocessing 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(e)(3).”.

(2) CONFORMING AMENDMENT.—Paragraph (3) of section 40A(f) is amended by striking “(as defined in section 45K(e)(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: “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 pro-
vided 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 (d) shall apply to fuel produced,
and sold or used, after the date of the enactment of
this Act.

SEC. 123. CLARIFICATION THAT CREDITS FOR FUEL ARE
DESIGNED TO PROVIDE AN INCENTIVE FOR
UNITED STATES PRODUCTION.

(a) ALCOHOL FUELS CREDIT.—Paragraph (6) of sec-
tion 40(d) is amended to read as follows:

“(6) LIMITATION TO ALCOHOL WITH CONNE-
CTION TO THE UNITED STATES.—No credit shall be
determined under this section with respect to any al-
cohol which is produced outside the United States
for use as a fuel outside the United States. For pur-
poses of this paragraph, the term ‘United States’ in-
cludes 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. 124. 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-
hicle 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 qualified 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 vehicle 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 excess 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 subsection) that is attributable to property of a character 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 (e)).

“(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 vehi-
cle 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 (e) thereof) shall not be taken into account under this section.”.

(e) 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 (32) and inserting “, plus”, and

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

“(33) the portion of the new qualified plug-in electric drive motor vehicle credit to which section 30D(e)(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 (35), by striking the period at the end of paragraph (36) and inserting “, and”, and by adding at the end the following new paragraph:

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

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

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

“Sec. 30D. New qualified plug-in electric drive motor vehicles.”.

(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(c) is amended by striking “30B(g)(2),”.

(f) 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, 2008.

(2) TREATMENT OF ALTERNATIVE MOTOR VEHICLE CREDIT AS PERSONAL CREDIT.—The amendments 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 Reconciliation Act of 2001 in the same manner as the provision of such Act to which such amendment relates.
SEC. 125. 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 determined by the Administrator of the Environmental Protection Agency, in consultation with the Secretary of Energy 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. 126. 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
Liberty Zone governmental units for any cal-
endar 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 ex-
penditure 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 gov-
ernmental unit determines appropriate.

“(c) CARRYOVER OF UNUSED ALLOCATIONS.—

“(1) IN GENERAL.—Except as provided in para-
graph (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 gov-
ernmental unit is liable under section 3403 for peri-
ods beginning in such year, such excess shall be car-
ried 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 al-
located 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 man-
ner as if it had never been allocated.

“(d) DEFINITIONS AND SPECIAL RULES.—For pur-
poses 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 GOVERN-
MENTAL 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 Independence and Tax Relief 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(c)(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. 1400L. 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.

SEC. 127. 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 re-
imbursement.”.

(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 re-
imbursement.”.

(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-
tween 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.—Para-
graph (4) of section 132(f) is amended by inserting
“(other than a qualified bicycle commuting reimburse-
ment)” after “qualified transportation fringe”.

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

SEC. 128. ALTERNATIVE FUEL VEHICLE REFUELING PROP-
ERTY 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 sec-
tion 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. 141. QUALIFIED ENERGY CONSERVATION BONDS.

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

“SEC. 54D. 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 allocated a portion of such State’s allocation which bears the same ratio to the State’s allocation (determined without regard to this subparagraph) 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 government 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 government 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 promote 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 conservation 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 determining 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 amended by section 106, is amended to read as follows:

“(1) QUALIFIED TAX CREDIT BOND.—The term ‘qualified tax credit bond’ means—

“(A) a qualified forestry conservation bond,

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

“(C) 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 amended 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 qualified forestry conservation bond, a purpose specified in section 54B(e),

“(ii) in the case of a new clean renewable energy bond, a purpose specified in section 54C(a)(1), and

“(iii) in the case of a qualified energy conservation bond, a purpose specified in section 54D(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. 54D. Qualified energy conservation bonds.”.

(e) 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 aquatic
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), as amended by subsection (b), is amended
by striking subparagraph (C) and by redesignating subparagraphs (D), (E), and (F) as subparagraphs (C), (D), and (E), 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) MODIFICATION OF QUALIFIED ENERGY EFFICIENCY IMPROVEMENTS.—
(1) IN GENERAL.—Paragraph (1) of section 25C(c) is amended by inserting “, or an asphalt roof with appropriate cooling granules,” before “which meet the Energy Star program requirements”.

(2) BUILDING ENVELOPE COMPONENT.—Subparagraph (D) of section 25C(c)(2) is amended—

(A) by inserting “or asphalt roof” after “metal roof”, and

(B) by inserting “or cooling granules” after “pigmented coatings”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made this section shall apply to expenditures made after December 31, 2007.

(2) MODIFICATION OF QUALIFIED ENERGY EFFICIENCY IMPROVEMENTS.—The amendments made by subsection (d) shall apply to property placed in service after the date of the enactment of this Act.

SEC. 143. ENERGY EFFICIENT COMMERCIAL BUILDINGS DEDUCTION.

Subsection (h) of section 179D is amended by striking “December 31, 2008” and inserting “December 31, 2013”.
SEC. 144. MODIFICATIONS OF ENERGY EFFICIENT APPLI-
ANCE CREDIT FOR APPLIANCES PRODUCED
AFTER 2007.

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

“(b) APPLICABLE AMOUNT.—For purposes of sub-
section (a)—

“(1) DISHWASHERS.—The applicable amount
is—

“(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

“(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 de-
dsigned for greater than 12 place settings).

“(2) CLOTHES WASHERS.—The applicable
amount is—

“(A) $75 in the case of a residential top-
loading clothes washer manufactured in cal-
endar 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”,

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

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

(e) 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) AGGREGATE CREDIT AMOUNT ALLOWED.—

(1) INCREASE IN LIMIT.—Paragraph (1) of section 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 tax-
able 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 APPLIANCE.—The term ‘qualified energy efficient appliance’ means—

“(A) any dishwasher described in subsection (b)(1),

“(B) any clothes washer described in subsection (b)(2), and

“(C) any refrigerator described in subsection (b)(3).”.
(2) CLOTHES WASHER.—Section 45M(f)(3) is amended by inserting “commercial” before “residential” the second place it appears.

(3) TOP-LOADING CLOTHES WASHER.—Subsection (f) of section 45M is amended by redesignating paragraphs (4), (5), (6), and (7) as paragraphs (5), (6), (7), and (8), respectively, and by inserting after paragraph (3) the following new paragraph:

“(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.—Section 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 a comma, 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—Alternative Minimum Tax

SEC. 201. EXTENSION OF ALTERNATIVE MINIMUM TAX RELIEF FOR NONREFUNDABLE PERSONAL CREDITS.

(a) IN GENERAL.—Paragraph (2) of section 26(a) (relating to special rule for taxable years 2000 through 2007) is amended—

(1) by striking “or 2007” and inserting “2007, or 2008”, and

(2) by striking “2007” in the heading thereof and inserting “2008”.

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

SEC. 202. EXTENSION OF INCREASED ALTERNATIVE MINIMUM TAX EXEMPTION AMOUNT.

(a) IN GENERAL.—Paragraph (1) of section 55(d) (relating to exemption amount) is amended—
(1) by striking “($66,250 in the case of taxable years beginning in 2007)” in subparagraph (A) and inserting “($69,950 in the case of taxable years beginning in 2008)”, and

(2) by striking “($44,350 in the case of taxable years beginning in 2007)” in subparagraph (B) and inserting “($46,200 in the case of taxable years beginning in 2008)”.

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

SEC. 203. 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, and the minimum tax credit determined under subsection (b), 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).”.

(c) 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—Extensions Primarily Affecting Individuals

SEC. 211. 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.

**SEC. 212. 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. 213. 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. 214. 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. 215. 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. 216. 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. 217. QUALIFIED INVESTMENT ENTITIES.

(a) In General.—Clause (ii) of section 2897(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. 218. 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 C—Extensions Primarily Affecting Businesses

SEC. 221. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

(a) Extension.—Section 41(h) (relating to termination) is amended—
(1) by striking “December 31, 2007” and inserting “December 31, 2008” in paragraph (1)(B),
(2) by redesignating paragraph (2) as paragraph (3), and
(3) by inserting after paragraph (1) the following new paragraph:
“(2) TERMINATION OF ALTERNATIVE INCREMENTAL CREDIT.—No election under subsection (e)(4) shall apply to amounts paid or incurred after December 31, 2007.”.

(b) MODIFICATION OF ALTERNATIVE SIMPLIFIED CREDIT.—Paragraph (5)(A) of section 41(c) (relating to election of alternative simplified credit) is amended to read as follows:
“(A) IN GENERAL.—At the election of the taxpayer, the credit determined under subsection (a)(1) shall be equal to 14 percent of so much of the qualified research expenses for the taxable year as exceeds 50 percent of the average qualified research expenses for the 3 taxable years preceding the taxable year for which the credit is being determined.”.

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

(d) TECHNICAL CORRECTION.—Paragraph (3) of section 41(h) is amended to read as follows:

“(2) COMPUTATION FOR TAXABLE YEAR IN WHICH CREDIT TERMINATES.—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—

“(A) the amount determined under subsection (c)(1)(B) with respect to such taxable year shall be the amount which bears the same ratio to such amount (determined 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, and

“(B) for purposes of subsection (c)(5), the average qualified research expenses for the preceding 3 taxable years shall be the amount which bears the same ratio to such average qualified research expenses (determined 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, and
applies bears to the total number of days in such taxable year.”.

(c) 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 (relating to application of section) is amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(b) Credit Allowed Against Alternative Minimum Tax.—Subparagraph (B) of section 38(c)(4) (relating to specified credits), as amended by section 103, is amended—

(1) by redesignating clauses (iv) and (v) as clauses (v) and (vi), respectively, and
(2) by inserting after clause (iii) the following new clause:

“(iv) the credit determined under section 45G,”.

(c) Effective Dates.—

(1) The amendment made by subsection (a) shall apply to expenditures paid or incurred during taxable years beginning after December 31, 2007.

(2) The amendments made by subsection (b) shall apply to credits determined under section 45G in taxable years beginning after December 31, 2007, and to carrybacks of such credits.

SEC. 225. EXTENSION OF MINE RESCUE TEAM TRAINING CREDIT.

Section 45N(e) (relating to termination) is amended by striking “December 31, 2008” and inserting “December 31, 2009”.

SEC. 226. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS AND QUALIFIED RESTAURANT IMPROVEMENTS; 15-YEAR STRAIGHT-LINE COST RECOVERY FOR CERTAIN IMPROVEMENTS TO RETAIL SPACE.

(a) Extension of Leasehold and Restaurant Improvements.—
(1) **IN GENERAL.**—Clauses (iv) and (v) of section 168(e)(3)(E) (relating to 15-year property) are each amended by striking “January 1, 2008” and inserting “January 1, 2009”.

(2) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to property placed in service after December 31, 2007.

(b) **TREATMENT TO INCLUDE NEW CONSTRUCTION.**—

(1) **IN GENERAL.**—Paragraph (7) of section 168(e) (relating to classification of property) is amended to read as follows:

“(7) **QUALIFIED RESTAURANT PROPERTY.**—The term ‘qualified restaurant property’ means any section 1250 property which is a building or an improvement to a building if more than 50 percent of the building’s square footage is devoted to preparation of, and seating for on-premises consumption of, prepared meals.”.

(2) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

(e) **RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN IMPROVEMENTS TO RETAIL SPACE.**—
(1) 15-YEAR RECOVERY PERIOD.—Section 168(e)(3)(E) (relating to 15-year property) is amended by striking “and” at the end of clause (vii), by striking the period at the end of clause (viii) and inserting “, and’, and by adding at the end the following new clause:

“(ix) any qualified retail improvement property placed in service before January 1, 2009.”.

(2) QUALIFIED RETAIL IMPROVEMENT PROPERTY.—Section 168(e) is amended by adding at the end the following new paragraph:

“(8) QUALIFIED RETAIL IMPROVEMENT PROPERTY.—

“(A) IN GENERAL.—The term ‘qualified retail improvement property’ means any improvement to an interior portion of a building which is nonresidential real property if—

“(i) such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and

“(ii) such improvement is placed in service more than 3 years after the date the building was first placed in service.
“(B) Improvements Made by Owner.—
In the case of an improvement made by the owner of such improvement, such improvement shall be qualified retail improvement property (if at all) only so long as such improvement is held by such owner. Rules similar to the rules under paragraph (6)(B) shall apply for purposes of the preceding sentence.

“(C) Certain Improvements Not Included.—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,
“(ii) any elevator or escalator,
“(iii) any structural component benefitting a common area, or
“(iv) the internal structural framework of the building.”.

(3) Requirement to Use Straight Line Method.—Section 168(b)(3) is amended by adding at the end the following new subparagraph:

“(I) Qualified retail improvement property described in subsection (e)(8).”.

(4) Alternative System.—The table contained in section 168(g)(3)(B) is amended by insert-
ing after the item relating to subparagraph (E)(viii) the following new item:

“(E)(ix) .................................................................................................................. 39”.

(5) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

SEC. 227. 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. 228. 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. 229. EXTENSION OF ELECTION TO EXPENSE ADVANCED MINE SAFETY EQUIPMENT.

Section 179E(g) (relating to termination) is amended by striking “December 31, 2008” and inserting “December 31, 2009”.

SEC. 230. 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. 231. 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. 232. 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”.

(b) Effective Date.—The amendment made by this section shall apply to payments received or accrued after December 31, 2007.

SEC. 233. 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. 54E. 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 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 limitation amount allocated to such academy under paragraph (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 during 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 pre-
ceding 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 sec-
tion 1397E(e)(4) (relating to carryover of un-
used limitation) with respect to any State to
calendar year 2008 shall be treated for pur-
poses of this section as a carryover with respect
to such State for such calendar year under sub-
paragraph (A), and the limitation of subpara-
graph (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 es-
tablished 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 agen-
cy as defined in section 9101 of the Elementary and

“(3) QUALIFIED PURPOSE.—The term ‘quali-
fied purpose’ means, with respect to any qualified
zone academy—

“(A) rehabilitating or repairing the public
school facility in which the academy is estab-
lished,

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

“(C) developing course materials for edu-
cation 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
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1 type and quality acceptable to the eligible local edu-
2 cation agency) of—
3  “(A) equipment for use in the qualified
4 zone academy (including state-of-the-art tech-
5 nology and vocational equipment),
6  “(B) technical assistance in developing
7 curriculum or in training teachers in order to
8 promote appropriate market driven technology
9 in the classroom,
10  “(C) services of employees as volunteer
11 mentors,
12  “(D) internships, field trips, or other edu-
13 cational opportunities outside the academy for
14 students, or
15  “(E) any other property or service speci-
16 fied by the eligible local education agency.”.
17 (b) CONFORMING AMENDMENTS.—
18  (1) Paragraph (1) of section 54A(d), as amend-
19 ed by sections 106 and 141, is amended by striking
20 “or” at the end of subparagraph (B), by inserting
21 “or” at the end of subparagraph (C), and by insert-
22 ing after subparagraph (C) the following new sub-
23 paragraph:
24  “(D) 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 (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 a qualified zone academy bond, a purpose specified in section 54E(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. 54E. 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. 234. 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”.


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(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”.

(3) EFFECTIVE DATES.—

(A) EXTENSION.—The amendments made by paragraph (1) shall apply to acquisitions after December 31, 2007.

(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 after December 31, 2007.

SEC. 235. ECONOMIC DEVELOPMENT CREDIT FOR AMERICAN 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 inserting “first 3 taxable years”, and
(2) 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.

SEC. 236. 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.

SEC. 237. 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.
SEC. 238. 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. 239. 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. 240. 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. 241. SUBPART F EXCEPTION FOR ACTIVE FINANCING INCOME.

(a) Exempt Insurance Income.—Paragraph (10) of section 953(e) (relating to application) is amended—

(1) by striking “January 1, 2009” and inserting “January 1, 2010”, and

(2) by striking “December 31, 2008” and inserting “December 31, 2009”.

(b) Exception to Treatment as Foreign Personal Holding Company Income.—Paragraph (9) of section 954(h) (relating to application) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

SEC. 242. LOOK-THRU RULE FOR RELATED CONTROLLED FOREIGN CORPORATIONS.

(a) In General.—Subparagraph (C) of section 954(c)(6) (relating to application) is amended by striking “January 1, 2009” and inserting “January 1, 2010”.

(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.
SEC. 243. EXPENSING FOR CERTAIN QUALIFIED FILM AND TELEVISION PRODUCTIONS.

(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.

SEC. 244. EXTENSION AND MODIFICATION OF DUTY SUSPENSION ON WOOL PRODUCTS; WOOL RESEARCH FUND; WOOL DUTY REFUNDS.

(a) Extension of Temporary Duty Reductions.—Each of the following headings of the Harmonized Tariff Schedule of the United States is amended by striking the date in the effective period column and inserting “12/31/2014”:

(1) Heading 9902.51.11 (relating to fabrics of worsted wool).

(2) Heading 9902.51.13 (relating to yarn of combed wool).

(3) Heading 9902.51.14 (relating to wool fiber, waste, garnetted stock, combed wool, or wool top).

(4) Heading 9902.51.15 (relating to fabrics of combed wool).

(5) Heading 9902.51.16 (relating to fabrics of combed wool).
(b) Extension of Duty Refunds and Wool Research Trust Fund.—

(1) In General.—Section 4002(c) of the Wool Suit and Textile Trade Extension Act of 2004 (Public Law 108–429; 118 Stat. 2603) is amended—

(A) in paragraph (3)(C), by striking “2010” and inserting “2015”; and

(B) in paragraph (6)(A), by striking “through 2009” and inserting “through 2014”.


Subtitle D—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. 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 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 beginning in 2008, the real property tax deduction.”.
(b) DEFINITION.—Section 63(c) is amended by adding at the end the following new paragraph:

“(7) REAL PROPERTY TAX DEDUCTION.—For purposes of paragraph (1), the real property tax deduction is the lesser of—

“(A) the amount allowable as a deduction under this chapter for State and local taxes described in section 164(a)(1), or

“(B) $350 ($700 in the case of a joint return).

Any taxes taken into account under section 62(a) shall not be taken into account under this paragraph.”.

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

SEC. 302. $10,000 INCOME THRESHOLD USED TO CALCULATE REFUNDABLE PORTION OF CHILD TAX CREDIT.

(a) IN GENERAL.—Section 24(d) (relating to portion of credit refundable) is amended by adding at the end the following new paragraph:

“(4) SPECIAL RULE FOR 2008.—Notwithstanding paragraph (3), in the case of any taxable year beginning in 2008, the dollar amount in effect
for such taxable year under paragraph (1)(B)(i) shall be $10,000.”.

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

SEC. 303. INCOME AVERAGING FOR AMOUNTS RECEIVED IN CONNECTION WITH THE EXXON VALDEZ LITIGATION.

(a) Income Averaging of Amounts Received from the Exxon Valdez Litigation.—For purposes of section 1301 of the Internal Revenue Code of 1986—

(1) any qualified taxpayer who receives any qualified settlement income in any taxable year shall be treated as engaged in a fishing business (determined without regard to the commercial nature of the business), and

(2) such qualified settlement income shall be treated as income attributable to such a fishing business for such taxable year.

(b) Contributions of Amounts Received to Retirement Accounts.—

(1) In general.—Any qualified taxpayer who receives qualified settlement income during the taxable year may, at any time before the end of the taxable year in which such income was received, make
one or more contributions to an eligible retirement
plan of which such qualified taxpayer is a benef-
ciciary in an aggregate amount not to exceed the
lesser of—

(A) $100,000 (reduced by the amount of
qualified settlement income contributed to an
eligible retirement plan in prior taxable years
pursuant to this subsection), or

(B) the amount of qualified settlement in-
come received by the individual during the tax-
able year.

(2) Time when contributions deemed
made.—For purposes of paragraph (1), a qualified
taxpayer shall be deemed to have made a contribu-
tion to an eligible retirement plan on the last day of
the taxable year in which such income is received if
the contribution is made on account of such taxable
year and is made not later than the time prescribed
by law for filing the return for such taxable year
(not including extensions thereof).

(3) Treatment of contributions to eligi-
ble retirement plans.—For purposes of the In-
ternal Revenue Code of 1986, if a contribution is
made pursuant to paragraph (1) with respect to
qualified settlement income, then—
(A) except as provided in paragraph (4)—

(i) to the extent of such contribution,

the qualified settlement income shall not be included in taxable income, and

(ii) for purposes of section 72 of such Code, such contribution shall not be con-
sidered to be investment in the contract,

(B) the qualified taxpayer shall, to the ex-
tent of the amount of the contribution, be treat-
ed—

(i) as having received the qualified settlement income—

(I) in the case of a contribution to an individual retirement plan (as defined under section 7701(a)(37) of such Code), in a distribution described in section 408(d)(3) of such Code, and

(II) in the case of any other eligi-
ble retirement plan, in an eligible roll-
over distribution (as defined under section 402(f)(2) of such Code), and

(ii) as having transferred the amount to the eligible retirement plan in a direct
trustee to trustee transfer within 60 days of the distribution,

(C) section 408(d)(3)(B) of the Internal Revenue Code of 1986 shall not apply with respect to amounts treated as a rollover under this paragraph, and

(D) section 408A(c)(3)(B) of the Internal Revenue Code of 1986 shall not apply with respect to amounts contributed to a Roth IRA (as defined under section 408A(b) of such Code) or a designated Roth contribution to an applicable retirement plan (within the meaning of section 402A of such Code) under this paragraph.

(4) SPECIAL RULE FOR ROTH IRAS AND ROTH 401(k)s.—For purposes of the Internal Revenue Code of 1986, if a contribution is made pursuant to paragraph (1) with respect to qualified settlement income to a Roth IRA (as defined under section 408A(b) of such Code) or as a designated Roth contribution to an applicable retirement plan (within the meaning of section 402A of such Code), then—

(A) the qualified settlement income shall be includible in taxable income, and
(B) for purposes of section 72 of such Code, such contribution shall be considered to be investment in the contract.

(5) Eligible retirement plan.—For purpose of this subsection, the term “eligible retirement plan” has the meaning given such term under section 402(c)(8)(B) of the Internal Revenue Code of 1986.

(e) Treatment of qualified settlement income under employment taxes.—

(1) SECA.—For purposes of chapter 2 of the Internal Revenue Code of 1986 and section 211 of the Social Security Act, no portion of qualified settlement income received by a qualified taxpayer shall be treated as self-employment income.

(2) FICA.—For purposes of chapter 21 of the Internal Revenue Code of 1986 and section 209 of the Social Security Act, no portion of qualified settlement income received by a qualified taxpayer shall be treated as wages.

(d) Qualified taxpayer.—For purposes of this section, the term “qualified taxpayer” means—

(1) any individual who is a plaintiff in the civil action In re Exxon Valdez, No. 89–095–CV (HRH) (Consolidated) (D. Alaska); or
(2) any individual who is a beneficiary of the
estate of such a plaintiff who—

(A) acquired the right to receive qualified
settlement income from that plaintiff; and

(B) was the spouse or an immediate rel-
ative of that plaintiff.

(e) QUALIFIED SETTLEMENT INCOME.—For pur-
poses of this section, the term “qualified settlement in-
come” means any interest and punitive damage awards
which are—

(1) otherwise includible in taxable income, and

(2) received (whether as lump sums or periodic
payments) in connection with the civil action In re
Exxon Valdez, No. 89–095–CV (HRH) (Consoli-
dated) (D. Alaska) (whether pre- or post-judgment
and whether related to a settlement or judgment).

Subtitle B—Business Related
Provisions

SEC. 311. UNIFORM TREATMENT OF ATTORNEY-ADVANCED
EXPENSES AND COURT COSTS IN CONTIN-
GENCY FEE CASES.

(a) IN GENERAL.—Section 162 is amended by redes-
ignating 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 December 31, 2008.

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 section 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 corporation, 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 pro-
vided in this subsection, the amendments made by
this section shall apply to taxable years beginning

(2) Expensing.—The amendments made by
subsection (a) shall apply to qualified film and tele-
vision productions commencing after December 31,
2007.

SEC. 313. Modification of rate of excise tax on cer-
tain wooden arrows designed for use
by children.

(a) In general.—Paragraph (2) of section 4161(b)
(relating to arrows) is amended by redesignating subpara-
graph (B) as subparagraph (C) and by inserting after sub-
paragraph (A) the following new subparagraph:

“(B) EXEMPTION FOR CERTAIN WOODEN ARROW SHAFTS.—Subparagraph (A) shall not apply to any shaft consisting of all natural wood with no laminations or artificial means of enhancing the spine of such shaft (whether sold separately or incorporated as part of a finished or unfinished product) of a type used in the manufacture of any arrow which after its as-
semble—

“(i) measures 5/16 of an inch or less in diameter, and

“(ii) is not suitable for use with a bow described in paragraph (1)(A).”.

(b) EFFECTIVE DATE.—The amendments made by
this section shall apply to shafts first sold after the date of enactment of this Act.
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 respect 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 described in this paragraph unless there is or was substantial authority for the position.

“(B) DISCLOSED POSITIONS.—If the position 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 reasonable 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 understatement 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 position 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.

Subtitle D—Extension and Expansion of Certain GO Zone Incentives

SEC. 331. CERTAIN GO ZONE INCENTIVES.

(a) Use of Amended Income Tax Returns To Take Into Account Receipt of Certain Hurricane-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 reduction 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 Depreciation.—

(1) In general.—Subparagraph (B) of section 1400N(d)(3) is amended to read as follows:

“(B) without regard to ‘and before January 1, 2009’ in clause (i) thereof, and”.

(2) Effective date.—The amendment made by this subsection shall apply to property placed in service after December 31, 2007.

(c) 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 following 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.
Subtitle E—Other Provisions

SEC. 341. SECURE RURAL SCHOOLS AND COMMUNITY SELF-DETERMINATION PROGRAM.

(a) Reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000.—The Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 500 note; Public Law 106–393) is amended by striking sections 1 through 403 and inserting the following:

“SECTION 1. SHORT TITLE.

“This Act may be cited as the ‘Secure Rural Schools and Community Self-Determination Act of 2000’.

“SEC. 2. PURPOSES.

“The purposes of this Act are—

“(1) to stabilize and transition payments to counties to provide funding for schools and roads that supplements other available funds;

“(2) to make additional investments in, and create additional employment opportunities through,

projects that—

“(A)(i) improve the maintenance of existing infrastructure;

“(ii) implement stewardship objectives that enhance forest ecosystems; and

“(B)(i) use renewable energy sources to provide rural energy needs; and

“(ii) establish agreements with entities to make investments in rural infrastructure and technology.

“(C) to bring into operation new projects or improvements on public lands that—

“(1) receive funding from the program;

“(2) are located within a high-priority area described in section 501(a) of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 500a) based on a determination made by the Secretary under the provisions of that section; and

“(3) are part of a comprehensive strategy to restore or maintain the productivity, health, and resilience of the forest and wildlife resources on those public lands,

“(D) to provide grants to carry out projects and activities that—

“(1) promote rural economic development and community self-determination in areas that are or have been dependent upon timber-based economies;

“(2) provide for the establishment of a program to facilitate the coordination of efforts under this Act with the efforts of other Federal agencies to conserve and restore forest ecosystems; and

“(3) increase the capacity of eligible entities to carry out such projects and activities.

“SEC. 3. ELIGIBLE ENTITIES FOR FUNDING.

“(a) IN GENERAL.—Eligible entities are—

“(1) the States;

“(2) the Tribes;

“(3) the States and Tribes acting together as a joint entity; or

“(4) any other eligible entity designated by the Secretary for carrying out the purposes of this Act within an area described in section 501(a)(1) of the Secure Rural Schools and Community Self-Determination Act of 2000 (16 U.S.C. 500a).
“(iii) restore and improve land health and water quality;

“(B) enjoy broad-based support; and

“(C) have objectives that may include—

“(i) road, trail, and infrastructure maintenance or obliteration;

“(ii) soil productivity improvement;

“(iii) improvements in forest ecosystem health;

“(iv) watershed restoration and maintenance;

“(v) the restoration, maintenance, and improvement of wildlife and fish habitat;

“(vi) the control of noxious and exotic weeds; and

“(vii) the reestablishment of native species; and

“(3) to improve cooperative relationships among—

“(A) the people that use and care for Federal land; and

“(B) the agencies that manage the Federal land.

SEC. 3. DEFINITIONS.

“In this Act:
“(1) Adjusted share.—The term ‘adjusted share’ means the number equal to the quotient obtained by dividing—

“(A) the number equal to the quotient obtained by dividing—

“(i) the base share for the eligible county; by

“(ii) the income adjustment for the eligible county; by

“(B) the number equal to the sum of the quotients obtained under subparagraph (A) and paragraph (8)(A) for all eligible counties.

“(2) Base share.—The term ‘base share’ means the number equal to the average of—

“(A) the quotient obtained by dividing—

“(i) the number of acres of Federal land described in paragraph (7)(A) in each eligible county; by

“(ii) the total number acres of Federal land in all eligible counties in all eligible States; and

“(B) the quotient obtained by dividing—

“(i) the amount equal to the average of the 3 highest 25-percent payments and safety net payments made to each eligible
State for each eligible county during the eligibility period; by

“(ii) the amount equal to the sum of the amounts calculated under clause (i) and paragraph (9)(B)(i) for all eligible counties in all eligible States during the eligibility period.

“(3) COUNTY PAYMENT.—The term ‘county payment’ means the payment for an eligible county calculated under section 101(b).

“(4) ELIGIBLE COUNTY.—The term ‘eligible county’ means any county that—

“(A) contains Federal land (as defined in paragraph (7)); and

“(B) elects to receive a share of the State payment or the county payment under section 102(b).

“(5) ELIGIBILITY PERIOD.—The term ‘eligibility period’ means fiscal year 1986 through fiscal year 1999.

“(6) ELIGIBLE STATE.—The term ‘eligible State’ means a State or territory of the United States that received a 25-percent payment for 1 or more fiscal years of the eligibility period.
“(7) **Federal land.**—The term ‘Federal land’ means—

“(A) land within the National Forest System, as defined in section 11(a) of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1609(a)) exclusive of the National Grasslands and land utilization projects designated as National Grasslands administered pursuant to the Act of July 22, 1937 (7 U.S.C. 1010–1012); and

“(B) such portions of the revested Oregon and California Railroad and reconveyed Coos Bay Wagon Road grant land as are or may hereafter come under the jurisdiction of the Department of the Interior, which have heretofore or may hereafter be classified as timberlands, and power-site land valuable for timber, that shall be managed, except as provided in the former section 3 of the Act of August 28, 1937 (50 Stat. 875; 43 U.S.C. 1181c), for permanent forest production.

“(8) **50-percent adjusted share.**—The term ‘50-percent adjusted share’ means the number equal to the quotient obtained by dividing—
“(A) the number equal to the quotient obtained by dividing—

“(i) the 50-percent base share for the eligible county; by

“(ii) the income adjustment for the eligible county; by

“(B) the number equal to the sum of the quotients obtained under subparagraph (A) and paragraph (1)(A) for all eligible counties.

“(9) 50-PERCENT BASE SHARE.—The term ‘50-percent base share’ means the number equal to the average of—

“(A) the quotient obtained by dividing—

“(i) the number of acres of Federal land described in paragraph (7)(B) in each eligible county; by

“(ii) the total number acres of Federal land in all eligible counties in all eligible States; and

“(B) the quotient obtained by dividing—

“(i) the amount equal to the average of the 3 highest 50-percent payments made to each eligible county during the eligibility period; by
“(ii) the amount equal to the sum of
the amounts calculated under clause (i)
and paragraph (2)(B)(i) for all eligible
counties in all eligible States during the
eligibility period.

“(10) 50-PERCENT PAYMENT.—The term ‘50-
percent payment’ means the payment that is the
sum of the 50-percent share otherwise paid to a
county pursuant to title II of the Act of August 28,
1937 (chapter 876; 50 Stat. 875; 43 U.S.C. 1181f),
and the payment made to a county pursuant to the
Act of May 24, 1939 (chapter 144; 53 Stat. 753; 43
U.S.C. 1181f–1 et seq.).

“(11) FULL FUNDING AMOUNT.—The term ‘full
funding amount’ means—

“(A) $500,000,000 for fiscal year 2008;
and

“(B) for fiscal year 2009 and each fiscal
year thereafter, the amount that is equal to 90
percent of the full funding amount for the pre-
ceding fiscal year.

“(12) INCOME ADJUSTMENT.—The term ‘in-
come adjustment’ means the square of the quotient
obtained by dividing—
“(A) the per capita personal income for each eligible county; by

“(B) the median per capita personal income of all eligible counties.

“(13) PER CAPITA PERSONAL INCOME.—The term ‘per capita personal income’ means the most recent per capita personal income data, as determined by the Bureau of Economic Analysis.

“(14) SAFETY NET PAYMENTS.—The term ‘safety net payments’ means the special payment amounts paid to States and counties required by section 13982 or 13983 of the Omnibus Budget Reconciliation Act of 1993 (Public Law 103–66; 16 U.S.C. 500 note; 43 U.S.C. 1181f note).

“(15) SECRETARY CONCERNED.—The term ‘Secretary concerned’ means—

“(A) the Secretary of Agriculture or the designee of the Secretary of Agriculture with respect to the Federal land described in paragraph (7)(A); and

“(B) the Secretary of the Interior or the designee of the Secretary of the Interior with respect to the Federal land described in paragraph (7)(B).
“(16) STATE PAYMENT.—The term ‘State payment’ means the payment for an eligible State calculated under section 101(a).

“(17) 25-PERCENT PAYMENT.—The term ‘25-percent payment’ means the payment to States required by the sixth paragraph under the heading of ‘FOREST SERVICE’ in the Act of May 23, 1908 (35 Stat. 260; 16 U.S.C. 500), and section 13 of the Act of March 1, 1911 (36 Stat. 963; 16 U.S.C. 500).

“TITLE I—SECURE PAYMENTS FOR STATES AND COUNTIES CONTAINING FEDERAL LAND

“SEC. 101. SECURE PAYMENTS FOR STATES CONTAINING FEDERAL LAND.

“(a) STATE PAYMENT.—For each of fiscal years 2008 through 2011, the Secretary of Agriculture shall calculate for each eligible State an amount equal to the sum of the products obtained by multiplying—

“(1) the adjusted share for each eligible county within the eligible State; by

“(2) the full funding amount for the fiscal year.

“(b) COUNTY PAYMENT.—For each of fiscal years 2008 through 2011, the Secretary of the Interior shall calculate for each eligible county that received a 50-percent
payment during the eligibility period an amount equal to the product obtained by multiplying—

“(1) the 50-percent adjusted share for the eligible county; by

“(2) the full funding amount for the fiscal year.

“SEC. 102. PAYMENTS TO STATES AND COUNTIES.

“(a) PAYMENT AMOUNTS.—Except as provided in section 103, the Secretary of the Treasury shall pay to—

“(1) a State or territory of the United States an amount equal to the sum of the amounts elected under subsection (b) by each county within the State or territory for—

“(A) if the county is eligible for the 25-percent payment, the share of the 25-percent payment; or

“(B) the share of the State payment of the eligible county; and

“(2) a county an amount equal to the amount elected under subsection (b) by each county for—

“(A) if the county is eligible for the 50-percent payment, the 50-percent payment; or

“(B) the county payment for the eligible county.

“(b) ELECTION TO RECEIVE PAYMENT AMOUNT.—

“(1) ELECTION; SUBMISSION OF RESULTS.—
“(A) IN GENERAL.—The election to receive a share of the State payment, the county payment, a share of the State payment and the county payment, a share of the 25-percent payment, the 50-percent payment, or a share of the 25-percent payment and the 50-percent payment, as applicable, shall be made at the discretion of each affected county by August 1, 2008, and August 1 of each second fiscal year thereafter, in accordance with paragraph (2), and transmitted to the Secretary concerned by the Governor of each eligible State.

“(B) FAILURE TO TRANSMIT.—If an election for an affected county is not transmitted to the Secretary concerned by the date specified under subparagraph (A), the affected county shall be considered to have elected to receive a share of the State payment, the county payment, or a share of the State payment and the county payment, as applicable.

“(2) DURATION OF ELECTION.—

“(A) IN GENERAL.—A county election to receive a share of the 25-percent payment or 50-percent payment, as applicable, shall be effective for 2 fiscal years.
“(B) Full Funding Amount.—If a county elects to receive a share of the State payment or the county payment, the election shall be effective for all subsequent fiscal years through fiscal year 2011.

“(3) Source of Payment Amounts.—The payment to an eligible State or eligible county under this section for a fiscal year shall be derived from—

“(A) any amounts that are appropriated to carry out this Act;

“(B) any revenues, fees, penalties, or miscellaneous receipts, exclusive of deposits to any relevant trust fund, special account, or permanent operating funds, received by the Federal Government from activities by the Bureau of Land Management or the Forest Service on the applicable Federal land; and

“(C) to the extent of any shortfall, out of any amounts in the Treasury of the United States not otherwise appropriated.

“(c) Distribution and Expenditure of Payments.—

“(1) Distribution Method.—A State that receives a payment under subsection (a) for Federal land described in section 3(7)(A) shall distribute the
appropriate payment amount among the appropriate counties in the State in accordance with—

“(A) the Act of May 23, 1908 (16 U.S.C. 500); and


“(2) EXPENDITURE PURPOSES.—Subject to subsection (d), payments received by a State under subsection (a) and distributed to counties in accordance with paragraph (1) shall be expended as required by the laws referred to in paragraph (1).

“(d) EXPENDITURE RULES FOR ELIGIBLE COUNTIES.—

“(1) ALLOCATIONS.—

“(A) USE OF PORTION IN SAME MANNER AS 25-PERCENT PAYMENT OR 50-PERCENT PAYMENT, AS APPLICABLE.—Except as provided in paragraph (3)(B), if an eligible county elects to receive its share of the State payment or the county payment, not less than 80 percent, but not more than 85 percent, of the funds shall be expended in the same manner in which the 25-percent payments or 50-percent payment, as applicable, are required to be expended.
“(B) Election as to use of balance.—Except as provided in subparagraph (C), an eligible county shall elect to do 1 or more of the following with the balance of any funds not expended pursuant to subparagraph (A):

“(i) Reserve any portion of the balance for projects in accordance with title II.

“(ii) Reserve not more than 7 percent of the total share for the eligible county of the State payment or the county payment for projects in accordance with title III.

“(iii) Return the portion of the balance not reserved under clauses (i) and (ii) to the Treasury of the United States.

“(C) Counties with modest distributions.—In the case of each eligible county to which more than $100,000, but less than $350,000, is distributed for any fiscal year pursuant to either or both of paragraphs (1)(B) and (2)(B) of subsection (a), the eligible county, with respect to the balance of any funds not expended pursuant to subparagraph (A) for that fiscal year, shall—
“(i) reserve any portion of the balance for—

“(I) carrying out projects under title II;

“(II) carrying out projects under title III; or

“(III) a combination of the purposes described in subclauses (I) and (II); or

“(ii) return the portion of the balance not reserved under clause (i) to the Treasury of the United States.

“(2) DISTRIBUTION OF FUNDS.—

“(A) IN GENERAL.—Funds reserved by an eligible county under subparagraph (B)(i) or (C)(i) of paragraph (1) for carrying out projects under title II shall be deposited in a special account in the Treasury of the United States.

“(B) AVAILABILITY.—Amounts deposited under subparagraph (A) shall—

“(i) be available for expenditure by the Secretary concerned, without further appropriation; and
“(ii) remain available until expended in accordance with title II.

“(3) ELECTION.—

“(A) NOTIFICATION.—

“(i) IN GENERAL.—An eligible county shall notify the Secretary concerned of an election by the eligible county under this subsection not later than September 30 of each fiscal year.

“(ii) FAILURE TO ELECT.—Except as provided in subparagraph (B), if the eligible county fails to make an election by the date specified in clause (i), the eligible county shall—

“(I) be considered to have elected to expend 85 percent of the funds in accordance with paragraph (1)(A); and

“(II) return the balance to the Treasury of the United States.

“(B) COUNTIES WITH MINOR DISTRIBUTIONS.—In the case of each eligible county to which less than $100,000 is distributed for any fiscal year pursuant to either or both of paragraphs (1)(B) and (2)(B) of subsection (a), the
eligible county may elect to expend all the funds in the same manner in which the 25-percent payments or 50-percent payments, as applicable, are required to be expended.

“(e) TIME FOR PAYMENT.—The payments required under this section for a fiscal year shall be made as soon as practicable after the end of that fiscal year.

“SEC. 103. TRANSITION PAYMENTS TO STATES.

“(a) DEFINITIONS.—In this section:

“(1) ADJUSTED AMOUNT.—The term ‘adjusted amount’ means, with respect to a covered State—

“(A) for fiscal year 2008, 90 percent of—

“(i) the sum of the amounts paid for fiscal year 2006 under section 102(a)(2) (as in effect on September 29, 2006) for the eligible counties in the covered State that have elected under section 102(b) to receive a share of the State payment for fiscal year 2008; and

“(ii) the sum of the amounts paid for fiscal year 2006 under section 103(a)(2) (as in effect on September 29, 2006) for the eligible counties in the State of Oregon that have elected under section 102(b) to
receive the county payment for fiscal year 2008;

“(B) for fiscal year 2009, 76 percent of—

“(i) the sum of the amounts paid for fiscal year 2006 under section 102(a)(2) (as in effect on September 29, 2006) for the eligible counties in the covered State that have elected under section 102(b) to receive a share of the State payment for fiscal year 2009; and

“(ii) the sum of the amounts paid for fiscal year 2006 under section 103(a)(2) (as in effect on September 29, 2006) for the eligible counties in the State of Oregon that have elected under section 102(b) to receive the county payment for fiscal year 2009; and

“(C) for fiscal year 2010, 65 percent of—

“(i) the sum of the amounts paid for fiscal year 2006 under section 102(a)(2) (as in effect on September 29, 2006) for the eligible counties in the covered State that have elected under section 102(b) to receive a share of the State payment for fiscal year 2010; and
“(ii) the sum of the amounts paid for fiscal year 2006 under section 103(a)(2)
(as in effect on September 29, 2006) for the eligible counties in the State of Oregon that have elected under section 102(b) to receive the county payment for fiscal year 2010.

“(2) COVERED STATE.—The term ‘covered State’ means each of the States of California, Louisiana, Oregon, Pennsylvania, South Carolina, South Dakota, Texas, and Washington.

“(b) TRANSITION PAYMENTS.—For each of fiscal years 2008 through 2010, in lieu of the payment amounts that otherwise would have been made under paragraphs (1)(B) and (2)(B) of section 102(a), the Secretary of the Treasury shall pay the adjusted amount to each covered State and the eligible counties within the covered State, as applicable.

“(c) DISTRIBUTION OF ADJUSTED AMOUNT.—Except as provided in subsection (d), it is the intent of Congress that the method of distributing the payments under subsection (b) among the counties in the covered States for each of fiscal years 2008 through 2010 be in the same proportion that the payments were distributed to the eligible counties in fiscal year 2006.
“(d) Distribution of Payments in California.—The following payments shall be distributed among the eligible counties in the State of California in the same proportion that payments under section 102(a)(2) (as in effect on September 29, 2006) were distributed to the eligible counties for fiscal year 2006:

“(1) Payments to the State of California under subsection (b).

“(2) The shares of the eligible counties of the State payment for California under section 102 for fiscal year 2011.

“(e) Treatment of Payments.—For purposes of this Act, any payment made under subsection (b) shall be considered to be a payment made under section 102(a).

“TITLE II—SPECIAL PROJECTS ON FEDERAL LAND

“SEC. 201. DEFINITIONS.

“In this title:

“(1) Participating County.—The term ‘participating county’ means an eligible county that elects under section 102(d) to expend a portion of the Federal funds received under section 102 in accordance with this title.

“(2) Project Funds.—The term ‘project funds’ means all funds an eligible county elects
under section 102(d) to reserve for expenditure in accordance with this title.

“(3) RESOURCE ADVISORY COMMITTEE.—The term ‘resource advisory committee’ means—

“(A) an advisory committee established by the Secretary concerned under section 205; or

“(B) an advisory committee determined by the Secretary concerned to meet the requirements of section 205.

“(4) RESOURCE MANAGEMENT PLAN.—The term ‘resource management plan’ means—

“(A) a land use plan prepared by the Bureau of Land Management for units of the Federal land described in section 3(7)(B) pursuant to section 202 of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1712); or

“(B) a land and resource management plan prepared by the Forest Service for units of the National Forest System pursuant to section 6 of the Forest and Rangeland Renewable Resources Planning Act of 1974 (16 U.S.C. 1604).
“SEC. 202. GENERAL LIMITATION ON USE OF PROJECT FUNDS.

“(a) LIMITATION.—Project funds shall be expended solely on projects that meet the requirements of this title.

“(b) AUTHORIZED USES.—Project funds may be used by the Secretary concerned for the purpose of entering into and implementing cooperative agreements with willing Federal agencies, State and local governments, private and nonprofit entities, and landowners for protection, restoration, and enhancement of fish and wildlife habitat, and other resource objectives consistent with the purposes of this Act on Federal land and on non-Federal land where projects would benefit the resources on Federal land.

“SEC. 203. SUBMISSION OF PROJECT PROPOSALS.

“(a) SUBMISSION OF PROJECT PROPOSALS TO SECRETARY CONCERNED.—

“(1) PROJECTS FUNDED USING PROJECT FUNDS.—Not later than September 30 for fiscal year 2008, and each September 30 thereafter for each succeeding fiscal year through fiscal year 2011, each resource advisory committee shall submit to the Secretary concerned a description of any projects that the resource advisory committee proposes the Secretary undertake using any project funds reserved by eligible counties in the area in which the
resource advisory committee has geographic jurisdiction.

“(2) Projects funded using other funds.—A resource advisory committee may submit to the Secretary concerned a description of any projects that the committee proposes the Secretary undertake using funds from State or local governments, or from the private sector, other than project funds and funds appropriated and otherwise available to do similar work.

“(3) Joint projects.—Participating counties or other persons may propose to pool project funds or other funds, described in paragraph (2), and jointly propose a project or group of projects to a resource advisory committee established under section 205.

“(b) Required description of projects.—In submitting proposed projects to the Secretary concerned under subsection (a), a resource advisory committee shall include in the description of each proposed project the following information:

“(1) The purpose of the project and a description of how the project will meet the purposes of this title.

“(2) The anticipated duration of the project.
“(3) The anticipated cost of the project.

“(4) The proposed source of funding for the project, whether project funds or other funds.

“(5)(A) Expected outcomes, including how the project will meet or exceed desired ecological conditions, maintenance objectives, or stewardship objectives.

“(B) An estimate of the amount of any timber, forage, and other commodities and other economic activity, including jobs generated, if any, anticipated as part of the project.

“(6) A detailed monitoring plan, including funding needs and sources, that—

“(A) tracks and identifies the positive or negative impacts of the project, implementation, and provides for validation monitoring; and

“(B) includes an assessment of the following:

“(i) Whether or not the project met or exceeded desired ecological conditions; created local employment or training opportunities, including summer youth jobs programs such as the Youth Conservation Corps where appropriate.
“(ii) Whether the project improved the use of, or added value to, any products removed from land consistent with the purposes of this title.

“(7) An assessment that the project is to be in the public interest.

“(c) AUTHORIZED PROJECTS.—Projects proposed under subsection (a) shall be consistent with section 2.

“SEC. 204. EVALUATION AND APPROVAL OF PROJECTS BY SECRETARY CONCERNED.

“(a) CONDITIONS FOR APPROVAL OF PROPOSED PROJECT.—The Secretary concerned may make a decision to approve a project submitted by a resource advisory committee under section 203 only if the proposed project satisfies each of the following conditions:

“(1) The project complies with all applicable Federal laws (including regulations).

“(2) The project is consistent with the applicable resource management plan and with any watershed or subsequent plan developed pursuant to the resource management plan and approved by the Secretary concerned.

“(3) The project has been approved by the resource advisory committee in accordance with sec-
tion 205, including the procedures issued under sub-
section (e) of that section.

“(4) A project description has been submitted
by the resource advisory committee to the Secretary
concerned in accordance with section 203.

“(5) The project will improve the maintenance
of existing infrastructure, implement stewardship ob-
jectives that enhance forest ecosystems, and restore
and improve land health and water quality.

“(b) ENVIRONMENTAL REVIEWS.—

“(1) Request for payment by county.—
The Secretary concerned may request the resource
advisory committee submitting a proposed project to
agree to the use of project funds to pay for any envi-
ronmental review, consultation, or compliance with
applicable environmental laws required in connection
with the project.

“(2) Conduct of environmental review.—
If a payment is requested under paragraph (1) and
the resource advisory committee agrees to the ex-
penditure of funds for this purpose, the Secretary
concerned shall conduct environmental review, con-
sultation, or other compliance responsibilities in ac-
cordance with Federal laws (including regulations).

“(3) Effect of refusal to pay.—
“(A) IN GENERAL.—If a resource advisory committee does not agree to the expenditure of funds under paragraph (1), the project shall be deemed withdrawn from further consideration by the Secretary concerned pursuant to this title.

“(B) EFFECT OF WITHDRAWAL.—A withdrawal under subparagraph (A) shall be deemed to be a rejection of the project for purposes of section 207(c).

“(c) DECISIONS OF SECRETARY CONCERNED.—

“(1) REJECTION OF PROJECTS.—

“(A) IN GENERAL.—A decision by the Secretary concerned to reject a proposed project shall be at the sole discretion of the Secretary concerned.

“(B) NO ADMINISTRATIVE APPEAL OR JUDICIAL REVIEW.—Notwithstanding any other provision of law, a decision by the Secretary concerned to reject a proposed project shall not be subject to administrative appeal or judicial review.

“(C) NOTICE OF REJECTION.—Not later than 30 days after the date on which the Secretary concerned makes the rejection decision,
the Secretary concerned shall notify in writing
the resource advisory committee that submitted
the proposed project of the rejection and the
reasons for rejection.

“(2) Notice of Project Approval.—The
Secretary concerned shall publish in the Federal
Register notice of each project approved under sub-
section (a) if the notice would be required had the
project originated with the Secretary.

“(d) Source and Conduct of Project.—Once the
Secretary concerned accepts a project for review under
section 203, the acceptance shall be deemed a Federal ac-
tion for all purposes.

“(e) Implementation of Approved Projects.—

“(1) Cooperation.—Notwithstanding chapter
63 of title 31, United States Code, using project
funds the Secretary concerned may enter into con-
tracts, grants, and cooperative agreements with
States and local governments, private and nonprofit
entities, and landowners and other persons to assist
the Secretary in carrying out an approved project.

“(2) Best Value Contracting.—

“(A) In General.—For any project in-
volving a contract authorized by paragraph (1)
the Secretary concerned may elect a source for
performance of the contract on a best value basis.

“(B) FACTORS.—The Secretary concerned shall determine best value based on such factors as—

“(i) the technical demands and complexity of the work to be done;

“(ii)(I) the ecological objectives of the project; and

“(II) the sensitivity of the resources being treated;

“(iii) the past experience by the contractor with the type of work being done, using the type of equipment proposed for the project, and meeting or exceeding desired ecological conditions; and

“(iv) the commitment of the contractor to hiring highly qualified workers and local residents.

“(3) MERCHANTABLE TIMBER CONTRACTING PILOT PROGRAM.—

“(A) ESTABLISHMENT.—The Secretary concerned shall establish a pilot program to implement a certain percentage of approved
projects involving the sale of merchantable timber using separate contracts for—

“(i) the harvesting or collection of merchantable timber; and

“(ii) the sale of the timber.

“(B) ANNUAL PERCENTAGES.—Under the pilot program, the Secretary concerned shall ensure that, on a nationwide basis, not less than the following percentage of all approved projects involving the sale of merchantable timber are implemented using separate contracts:

“(i) For fiscal year 2008, 35 percent.
“(ii) For fiscal year 2009, 45 percent.
“(iii) For each of fiscal years 2010 and 2011, 50 percent.

“(C) INCLUSION IN PILOT PROGRAM.—The decision whether to use separate contracts to implement a project involving the sale of merchantable timber shall be made by the Secretary concerned after the approval of the project under this title.

“(D) ASSISTANCE.—

“(i) IN GENERAL.—The Secretary concerned may use funds from any appropriated account available to the Secretary
for the Federal land to assist in the administration of projects conducted under the pilot program.

“(ii) Maximum amount of assistance.—The total amount obligated under this subparagraph may not exceed $1,000,000 for any fiscal year during which the pilot program is in effect.

“(E) Review and report.—

“(i) Initial report.—Not later than September 30, 2010, the Comptroller General shall submit to the Committees on Agriculture, Nutrition, and Forestry and Energy and Natural Resources of the Senate and the Committees on Agriculture and Natural Resources of the House of Representatives a report assessing the pilot program.

“(ii) Annual report.—The Secretary concerned shall submit to the Committees on Agriculture, Nutrition, and Forestry and Energy and Natural Resources of the Senate and the Committees on Agriculture and Natural Resources of the
House of Representatives an annual report

describing the results of the pilot program.

“(f) REQUIREMENTS FOR PROJECT FUNDS.—The
Secretary shall ensure that at least 50 percent of all
project funds be used for projects that are primarily dedi-
cated—

“(1) to road maintenance, decommissioning, or
obliteration; or

“(2) to restoration of streams and watersheds.

“SEC. 205. RESOURCE ADVISORY COMMITTEES.

“(a) ESTABLISHMENT AND PURPOSE OF RESOURCE
ADVISORY COMMITTEES.—

“(1) ESTABLISHMENT.—The Secretary con-
cerned shall establish and maintain resource advi-
sory committees to perform the duties in subsection
(b), except as provided in paragraph (4).

“(2) PURPOSE.—The purpose of a resource ad-
visory committee shall be—

“(A) to improve collaborative relationships;

and

“(B) to provide advice and recommenda-
tions to the land management agencies con-
sistent with the purposes of this title.

“(3) ACCESS TO RESOURCE ADVISORY COMMIT-
TEES.—To ensure that each unit of Federal land
has access to a resource advisory committee, and that there is sufficient interest in participation on a committee to ensure that membership can be balanced in terms of the points of view represented and the functions to be performed, the Secretary concerned may, establish resource advisory committees for part of, or 1 or more, units of Federal land.

“(4) EXISTING ADVISORY COMMITTEES.—

“(A) IN GENERAL.—An advisory committee that meets the requirements of this section, a resource advisory committee established before September 29, 2006, or an advisory committee determined by the Secretary concerned before September 29, 2006, to meet the requirements of this section may be deemed by the Secretary concerned to be a resource advisory committee for the purposes of this title.

“(B) CHARTER.—A charter for a committee described in subparagraph (A) that was filed on or before September 29, 2006, shall be considered to be filed for purposes of this Act.

“(C) BUREAU OF LAND MANAGEMENT ADVISORY COMMITTEES.—The Secretary of the Interior may deem a resource advisory committee meeting the requirements of subpart 1784 of
part 1780 of title 43, Code of Federal Regulations, as a resource advisory committee for the purposes of this title.

“(b) DUTIES.—A resource advisory committee shall—

“(1) review projects proposed under this title by participating counties and other persons;

“(2) propose projects and funding to the Secretary concerned under section 203;

“(3) provide early and continuous coordination with appropriate land management agency officials in recommending projects consistent with purposes of this Act under this title;

“(4) provide frequent opportunities for citizens, organizations, tribes, land management agencies, and other interested parties to participate openly and meaningfully, beginning at the early stages of the project development process under this title;

“(5)(A) monitor projects that have been approved under section 204; and

“(B) advise the designated Federal official on the progress of the monitoring efforts under subparagraph (A); and

“(6) make recommendations to the Secretary concerned for any appropriate changes or adjust-
ments to the projects being monitored by the re-
source advisory committee.

“(c) Appointment by the Secretary.—

“(1) Appointment and term.—

“(A) In general.—The Secretary con-
cerned, shall appoint the members of resource
advisory committees for a term of 4 years be-
ginning on the date of appointment.

“(B) Reappointment.—The Secretary
concerned may reappoint members to subse-
quent 4-year terms.

“(2) Basic requirements.—The Secretary
concerned shall ensure that each resource advisory
committee established meets the requirements of
subsection (d).

“(3) Initial appointment.—Not later than
180 days after the date of the enactment of this Act,
the Secretary concerned shall make initial appoint-
ments to the resource advisory committees.

“(4) Vacancies.—The Secretary concerned
shall make appointments to fill vacancies on any re-
source advisory committee as soon as practicable
after the vacancy has occurred.
“(5) COMPENSATION.—Members of the re-
source advisory committees shall not receive any
compensation.

“(d) COMPOSITION OF ADVISORY COMMITTEE.—

“(1) NUMBER.—Each resource advisory com-
mittee shall be comprised of 15 members.

“(2) COMMUNITY INTERESTS REPRESENTED.—
Committee members shall be representative of the
interests of the following 3 categories:

“(A) 5 persons that—

“(i) represent organized labor or non-
timber forest product harvester groups;

“(ii) represent developed outdoor
recreation, off highway vehicle users, or
commercial recreation activities;

“(iii) represent—

“(I) energy and mineral develop-
ment interests; or

“(II) commercial or recreational
fishing interests;

“(iv) represent the commercial timber
industry; or

“(v) hold Federal grazing or other
land use permits, or represent nonindus-
trial private forest land owners, within the area for which the committee is organized.

“(B) 5 persons that represent—

“(i) nationally recognized environmental organizations;

“(ii) regionally or locally recognized environmental organizations;

“(iii) dispersed recreational activities;

“(iv) archaeological and historical interests; or

“(v) nationally or regionally recognized wild horse and burro interest groups, wildlife or hunting organizations, or watershed associations.

“(C) 5 persons that—

“(i) hold State elected office (or a designee);

“(ii) hold county or local elected office;

“(iii) represent American Indian tribes within or adjacent to the area for which the committee is organized;

“(iv) are school officials or teachers;
“(v) represent the affected public at large.

“(3) Balanced Representation.—In appointing committee members from the 3 categories in paragraph (2), the Secretary concerned shall provide for balanced and broad representation from within each category.

“(4) Geographic Distribution.—The members of a resource advisory committee shall reside within the State in which the committee has jurisdiction and, to extent practicable, the Secretary concerned shall ensure local representation in each category in paragraph (2).

“(5) Chairperson.—A majority on each resource advisory committee shall select the chairperson of the committee.

“(e) Approval Procedures.—

“(1) In general.—Subject to paragraph (3), each resource advisory committee shall establish procedures for proposing projects to the Secretary concerned under this title.

“(2) Quorum.—A quorum must be present to constitute an official meeting of the committee.

“(3) Approval by Majority of Members.—A project may be proposed by a resource advisory
committee to the Secretary concerned under section 203(a), if the project has been approved by a majority of members of the committee from each of the 3 categories in subsection (d)(2).

“(f) Other Committee Authorities and Requirements.—

“(1) Staff Assistance.—A resource advisory committee may submit to the Secretary concerned a request for periodic staff assistance from Federal employees under the jurisdiction of the Secretary.

“(2) Meetings.—All meetings of a resource advisory committee shall be announced at least 1 week in advance in a local newspaper of record and shall be open to the public.

“(3) Records.—A resource advisory committee shall maintain records of the meetings of the committee and make the records available for public inspection.

“SEC. 206. USE OF PROJECT FUNDS.

“(a) Agreement Regarding Schedule and Cost of Project.—

“(1) Agreement Between Parties.—The Secretary concerned may carry out a project submitted by a resource advisory committee under section 203(a) using project funds or other funds de-
scribed in section 203(a)(2), if, as soon as practicable after the issuance of a decision document for the project and the exhaustion of all administrative appeals and judicial review of the project decision, the Secretary concerned and the resource advisory committee enter into an agreement addressing, at a minimum, the following:

“(A) The schedule for completing the project.

“(B) The total cost of the project, including the level of agency overhead to be assessed against the project.

“(C) For a multiyear project, the estimated cost of the project for each of the fiscal years in which it will be carried out.

“(D) The remedies for failure of the Secretary concerned to comply with the terms of the agreement consistent with current Federal law.

“(2) LIMITED USE OF FEDERAL FUNDS.—The Secretary concerned may decide, at the sole discretion of the Secretary concerned, to cover the costs of a portion of an approved project using Federal funds appropriated or otherwise available to the Secretary for the same purposes as the project.
“(b) Transfer of Project Funds.—

“(1) Initial transfer required.—As soon as practicable after the agreement is reached under subsection (a) with regard to a project to be funded in whole or in part using project funds, or other funds described in section 203(a)(2), the Secretary concerned shall transfer to the applicable unit of National Forest System land or Bureau of Land Management District an amount of project funds equal to—

“(A) in the case of a project to be completed in a single fiscal year, the total amount specified in the agreement to be paid using project funds, or other funds described in section 203(a)(2); or

“(B) in the case of a multiyear project, the amount specified in the agreement to be paid using project funds, or other funds described in section 203(a)(2) for the first fiscal year.

“(2) Condition on project commencement.—The unit of National Forest System land or Bureau of Land Management District concerned, shall not commence a project until the project funds, or other funds described in section 203(a)(2) required to be transferred under paragraph (1) for the

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project, have been made available by the Secretary concerned.

“(3) Subsequent transfers for multiyear projects.—

“(A) In general.—For the second and subsequent fiscal years of a multiyear project to be funded in whole or in part using project funds, the unit of National Forest System land or Bureau of Land Management District concerned shall use the amount of project funds required to continue the project in that fiscal year according to the agreement entered into under subsection (a).

“(B) Suspension of work.—The Secretary concerned shall suspend work on the project if the project funds required by the agreement in the second and subsequent fiscal years are not available.

“Sec. 207. Availability of project funds.

“(a) Submission of proposed projects to obligate funds.—By September 30 of each fiscal year through fiscal year 2011, a resource advisory committee shall submit to the Secretary concerned pursuant to section 203(a)(1) a sufficient number of project proposals that, if approved, would result in the obligation of at least
the full amount of the project funds reserved by the participating county in the preceding fiscal year.

“(b) Use or Transfer of Unobligated Funds.—Subject to section 208, if a resource advisory committee fails to comply with subsection (a) for a fiscal year, any project funds reserved by the participating county in the preceding fiscal year and remaining unobligated shall be available for use as part of the project submissions in the next fiscal year.

“(c) Effect of Rejection of Projects.—Subject to section 208, any project funds reserved by a participating county in the preceding fiscal year that are unobligated at the end of a fiscal year because the Secretary concerned has rejected one or more proposed projects shall be available for use as part of the project submissions in the next fiscal year.

“(d) Effect of Court Orders.—

“(1) In general.—If an approved project under this Act is enjoined or prohibited by a Federal court, the Secretary concerned shall return the unobligated project funds related to the project to the participating county or counties that reserved the funds.

“(2) Expenditure of funds.—The returned funds shall be available for the county to expend in
the same manner as the funds reserved by the county under subparagraph (B) or (C)(i) of section 102(d)(1).

“SEC. 208. TERMINATION OF AUTHORITY.

“(a) IN GENERAL.—The authority to initiate projects under this title shall terminate on September 30, 2011.

“(b) DEPOSITS IN TREASURY.—Any project funds not obligated by September 30, 2012, shall be deposited in the Treasury of the United States.

“TITLE III—COUNTY FUNDS

“SEC. 301. DEFINITIONS.

“In this title:

“(1) COUNTY FUNDS.—The term ‘county funds’ means all funds an eligible county elects under section 102(d) to reserve for expenditure in accordance with this title.

“(2) PARTICIPATING COUNTY.—The term ‘participating county’ means an eligible county that elects under section 102(d) to expend a portion of the Federal funds received under section 102 in accordance with this title.

“SEC. 302. USE.

“(a) AUTHORIZED USES.—A participating county, including any applicable agencies of the participating
county, shall use county funds, in accordance with this
title, only—

“(1) to carry out activities under the Firewise
Communities program to provide to homeowners in
fire-sensitive ecosystems education on, and assist-
ance with implementing, techniques in home siting,
home construction, and home landscaping that can
increase the protection of people and property from
wildfires;

“(2) to reimburse the participating county for
search and rescue and other emergency services, in-
cluding firefighting, that are—

“(A) performed on Federal land after the
date on which the use was approved under sub-
section (b);

“(B) paid for by the participating county;

and

“(3) to develop community wildfire protection
plans in coordination with the appropriate Secretary
concerned.

“(b) PROPOSALS.—A participating county shall use
county funds for a use described in subsection (a) only
after a 45-day public comment period, at the beginning
of which the participating county shall—
“(1) publish in any publications of local record a proposal that describes the proposed use of the county funds; and
“(2) submit the proposal to any resource advisory committee established under section 205 for the participating county.

“SEC. 303. CERTIFICATION.

“(a) IN GENERAL.—Not later than February 1 of the year after the year in which any county funds were expended by a participating county, the appropriate official of the participating county shall submit to the Secretary concerned a certification that the county funds expended in the applicable year have been used for the uses authorized under section 302(a), including a description of the amounts expended and the uses for which the amounts were expended.
“(b) REVIEW.—The Secretary concerned shall review the certifications submitted under subsection (a) as the Secretary concerned determines to be appropriate.

“SEC. 304. TERMINATION OF AUTHORITY.

“(a) IN GENERAL.—The authority to initiate projects under this title terminates on September 30, 2011.
“(b) AVAILABILITY.—Any county funds not obligated by September 30, 2012, shall be returned to the Treasury of the United States.
“TITLE IV—MISCELLANEOUS
PROVISIONS

“SEC. 401. REGULATIONS.

“The Secretary of Agriculture and the Secretary of
the Interior shall issue regulations to carry out the pur-
poses of this Act.

“SEC. 402. AUTHORIZATION OF APPROPRIATIONS.

“There are authorized to be appropriated such sums
as are necessary to carry out this Act for each of fiscal
years 2008 through 2011.

“SEC. 403. TREATMENT OF FUNDS AND REVENUES.

“(a) Relation to Other Appropriations.—
Funds made available under section 402 and funds made
available to a Secretary concerned under section 206 shall
be in addition to any other annual appropriations for the
Forest Service and the Bureau of Land Management.

“(b) Deposit of Revenues and Other Funds.—
All revenues generated from projects pursuant to title II,
including any interest accrued from the revenues, shall be
deposited in the Treasury of the United States.”.

(b) Forest Receipt Payments to Eligible
States and Counties.—

(1) Act of May 23, 1908.—The sixth paragraph
under the heading “FOREST SERVICE” in the Act
of May 23, 1908 (16 U.S.C. 500) is amended in the
first sentence by striking “twenty-five percentum” and all that follows through “shall be paid” and inserting the following: “an amount equal to the annual average of 25 percent of all amounts received for the applicable fiscal year and each of the preceding 6 fiscal years from each national forest shall be paid”.

(2) **Weeks Law.**—Section 13 of the Act of March 1, 1911 (commonly known as the “Weeks Law”) (16 U.S.C. 500) is amended in the first sentence by striking “twenty-five percentum” and all that follows through “shall be paid” and inserting the following: “an amount equal to the annual average of 25 percent of all amounts received for the applicable fiscal year and each of the preceding 6 fiscal years from each national forest shall be paid”.

(c) **Payments In Lieu of Taxes.**—

(1) **In General.**—Section 6906 of title 31, United States Code, is amended to read as follows:

§ 6906. **Funding**

“For each of fiscal years 2008 through 2012—

“(1) each county or other eligible unit of local government shall be entitled to payment under this chapter; and
“(2) sums shall be made available to the Secretary of the Interior for obligation or expenditure in accordance with this chapter.”.

(2) CONFORMING AMENDMENT.—The table of sections for chapter 69 of title 31, United States Code, is amended by striking the item relating to section 6906 and inserting the following:

“6906. Funding.”.

(3) BUDGET SCOREKEEPING.—

(A) IN GENERAL.—Notwithstanding the Budget Scorekeeping Guidelines and the accompanying list of programs and accounts set forth in the joint explanatory statement of the committee of conference accompanying Conference Report 105–217, the section in this title regarding Payments in Lieu of Taxes shall be treated in the baseline for purposes of section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (as in effect prior to September 30, 2002), and by the Chairmen of the House and Senate Budget Committees, as appropriate, for purposes of budget enforcement in the House and Senate, and under the Congressional Budget Act of 1974 as if Payment in Lieu of Taxes (14–1114–0–1–806) were an account designated as Appropriated

(B) Effective Date.—This paragraph shall remain in effect for the fiscal years to which the entitlement in section 6906 of title 31, United States Code (as amended by paragraph (1)), applies.

SEC. 342. CLARIFICATION OF UNIFORM DEFINITION OF CHILD.

(a) Child Must Be Younger Than Claimant.—Section 152(c)(3)(A) (relating to age requirements) is amended by inserting “is younger than the taxpayer claiming such individual as a qualifying child and” after “such individual”.

(b) Child Must Be Unmarried.—Section 152(c)(1) (relating to qualifying child) 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) who has not filed a joint return (other than only for a claim of refund) with the individual’s spouse under section 6013 for the
taxable year beginning in the calendar year in which the taxable year of the taxpayer begins.”.

(c) RESTRICT QUALIFYING CHILD TAX BENEFITS TO CHILD’S PARENT.—

(1) CHILD TAX CREDIT.—Subsection (a) of section 24 (relating to child tax credit) is amended by inserting “for which the taxpayer is allowed a deduction under section 151” after “of the taxpayer”.

(2) PERSONS OTHER THAN PARENTS CLAIMING QUALIFYING CHILD.—

(A) IN GENERAL.—Paragraph (4) of section 152(c) is amended by adding at the end the following new subparagraph:

“(C) NO PARENT CLAIMING QUALIFYING CHILD.—If the parents of an individual may claim such individual as a qualifying child but no parent so claims the individual, such individual may be claimed as the qualifying child of another taxpayer but only if the adjusted gross income of such taxpayer is higher than the highest adjusted gross income of any parent of the individual.”.

(B) CONFORMING AMENDMENTS.—

(i) Subparagraph (A) of section 152(c)(4) is amended by striking “Except”
through “2 or more taxpayers” and inserting “Except as provided in subparagraphs (B) and (C), if (but for this paragraph) an individual may be claimed as a qualifying child by 2 or more taxpayers”.

(ii) The heading for paragraph (4) of section 152(e) is amended by striking “CLAIMING” and inserting “WHO CAN CLAIM THE SAME”.

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

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.

“(c) 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 para-
graph 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 per-
son’s rights to such compensation are condi-
tioned 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 satis-
faction of the Secretary that such foreign
country has a comprehensive income tax.

“(3) NONQUALIFIED DEFERRED COMPENSA-
TION PLAN.—

“(A) IN GENERAL.—The term ‘non-
qualified 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 income.—In the case a foreign corporation with income 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 substantial risk of forfeiture, would have been deductible 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 regulations 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).”.

(e) 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.—Subsection (b) of section 170 of the Internal Revenue Code of 1986 shall not apply to (and subsections (b) and (d) of such section shall be applied without regard to) so much of the taxpayer’s qualified contributions made during the taxpayer’s last tax-
able year beginning before 2018 as does not exceed the taxpayer’s qualified inclusion amount.
For purposes of subsection (b) of section 170 of such Code, the taxpayer’s contribution base for such last taxable year shall be reduced by the amount of the taxpayer’s qualified contributions to which such subsection does not apply by reason the preceding sentence.

(B) Qualified Contributions.—For purposes of this paragraph, the term “qualified contributions” means the aggregate charitable contributions (as defined in section 170(c) of such Code) paid in cash by the taxpayer to organizations 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 deferred 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 income.

(5) CERTAIN BACK-TO-BACK ARRANGEMENTS.—If the taxpayer is also a service recipient and maintains one or more nonqualified deferred compensation arrangements for its service providers under which any amount is attributable to services performed on or before December 31, 2008, the guidance 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 arrangement for purposes of section 409A of the Internal Revenue Code of 1986.

SEC. 402. DELAY IN APPLICATION OF WORLDWIDE ALLOCATION OF INTEREST.

(a) In General.—Paragraph (6) of section 864(f) is amended—

(1) by striking “December 31, 2008” and inserting “December 31, 2018”,

(2) by striking “An election” and inserting:

“(A) In General.—Except as provided in subparagraph (B), an election”, and

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

“(B) Earlier Application for Certain Groups Including Holding Companies.—

“(i) In General.—Notwithstanding subparagraph (A), in the case of an applicable worldwide affiliated group—

“(I) the common parent of the applicable worldwide affiliated group

may elect, for its first taxable year beginning after December 31, 2008, to have paragraphs (1), (2), and (3)
apply to the applicable worldwide af-
filiated group as if it were a separate
worldwide affiliated group, and

“(II) except as provided in clause
(ii), such election shall apply to such
applicable worldwide affiliated group
for such taxable year and the 2 imme-
diately succeeding taxable years unless
revoked with the consent of the Sec-
retary.

Such election shall not preclude an election
under subparagraph (A) with respect to
the worldwide affiliated group to which
such applicable worldwide affiliated group
relates.

“(ii) LIMITATION BASED ON FOREIGN
ASSETS.—This subsection shall not apply
to a taxable year for which the election
under clause (i) is otherwise in effect if the
ratio (expressed as a percentage) which the
foreign assets of the applicable worldwide
affiliated group bear to all the assets of
the applicable worldwide affiliated group
exceeds 3 percent at any time during such
taxable year.
“(iii) Applicable Worldwide Affiliated Group.—For purposes of this subparagraph, the term ‘applicable worldwide affiliated group’ means, with respect to any worldwide affiliated group (as defined in paragraph (1)(C)) the common parent of which is an entity described in clause (i), (ii), or (iii) of paragraph (4)(C), a separate group consisting of those members of such worldwide affiliated group which—

“(I) are entities described in clause (i), (ii), or (iii) of paragraph (4)(C), or are subsidiaries of such entities substantially all of the activities of which are payroll, asset holding, or other activities which are integrally related to activities described in any such clause, and

“(II) were in existence, and were members of such group, as of October 21, 2004.

“(iv) Guidance.—The Secretary may prescribe such guidance as may be necessary to carry out the application of this
subparagraph, including guidance with re-
spect to the proper method for determining
the ratio described in clause (ii) and guid-
anance to prevent avoidance of the purposes
of this subparagraph.”.

(b) CONFORMING AMENDMENT.—Paragraph (5)(D)
of section 864(f) is amended by striking “December 31,
2008” and inserting “December 31, 2018”.

(e) 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.—Subpara-
graph (B) of section 401(1) of the Tax Increase Preven-
tion and Reconciliation Act of 2005 is amended by striking
the percentage contained therein and inserting “100 per-
cent”.

(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 37.75 percentage points.