

1 **TITLE XV—CLEAN RENEWABLE**  
2 **ENERGY AND CONSERVATION**  
3 **TAX ACT OF 2007**

4 **SEC. 1500. SHORT TITLE; AMENDMENT OF 1986 CODE.**

5 (a) SHORT TITLE.—This title may be cited as the  
6 “Clean Renewable Energy and Conservation Tax Act of  
7 2007”.

8 (b) AMENDMENT OF 1986 CODE.—Except as other-  
9 wise expressly provided, whenever in this title an amend-  
10 ment or repeal is expressed in terms of an amendment  
11 to, or repeal of, a section or other provision, the reference  
12 shall be considered to be made to a section or other provi-  
13 sion of the Internal Revenue Code of 1986.

14 **Subtitle A—Clean Renewable**  
15 **Energy Production Incentives**

16 **PART I—PROVISIONS RELATING TO RENEWABLE**  
17 **ENERGY**

18 **SEC. 1501. EXTENSION AND MODIFICATION OF RENEWABLE**  
19 **ENERGY CREDIT.**

20 (a) EXTENSION OF CREDIT.—Each of the following  
21 provisions of section 45(d) (relating to qualified facilities)  
22 is amended by striking “January 1, 2009” and inserting  
23 “January 1, 2013”:

1 (1) Paragraph (1).

2 (2) Clauses (i) and (ii) of paragraph (2)(A).

3 (3) Clauses (i)(I) and (ii) of paragraph (3)(A).

4 (4) Paragraph (4).

5 (5) Paragraph (5).

6 (6) Paragraph (6).

7 (7) Paragraph (7).

8 (8) Subparagraphs (A) and (B) of paragraph  
9 (9).

10 (b) MODIFICATION OF CREDIT PHASEOUT.—

11 (1) REPEAL OF PHASEOUT.—Subsection (b) of  
12 section 45 is amended—

13 (A) by striking paragraph (1), and

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

16 (2) LIMITATION BASED ON INVESTMENT IN FA-  
17 CILITY.—Subsection (b) of section 45 is amended by  
18 inserting before paragraph (2) the following new  
19 paragraph:

20 “(1) LIMITATION BASED ON INVESTMENT IN  
21 FACILITY.—

22 “(A) IN GENERAL.—In the case of any  
23 qualified facility originally placed in service  
24 after December 31, 2008, the amount of the  
25 credit determined under subsection (a) for any

1 taxable year with respect to electricity produced  
2 at such facility shall not exceed the product  
3 of—

4 “(i) the applicable percentage with re-  
5 spect to such facility, multiplied by

6 “(ii) the eligible basis of such facility.

7 “(B) CARRYFORWARD OF UNUSED LIMITA-  
8 TION AND EXCESS CREDIT.—

9 “(i) UNUSED LIMITATION.—If the  
10 limitation imposed under subparagraph (A)  
11 with respect to any facility for any taxable  
12 year exceeds the prelimitation credit for  
13 such facility for such taxable year, the lim-  
14 itation imposed under subparagraph (A)  
15 with respect to such facility for the suc-  
16 ceeding taxable year shall be increased by  
17 the amount of such excess.

18 “(ii) EXCESS CREDIT.—If the  
19 prelimitation credit with respect to any fa-  
20 cility for any taxable year exceeds the limi-  
21 tation imposed under subparagraph (A)  
22 with respect to such facility for such tax-  
23 able year, the credit determined under sub-  
24 section (a) with respect to such facility for  
25 the succeeding taxable year (determined

1 before the application of subparagraph (A)  
2 for such succeeding taxable year) shall be  
3 increased by the amount of such excess.  
4 With respect to any facility, no amount  
5 may carried forward under this clause to  
6 any taxable year beginning after the 10-  
7 year period described in subsection  
8 (a)(2)(A)(ii) with respect to such facility.

9 “(iii) PRELIMINATION CREDIT.—The  
10 term ‘prelimination credit’ with respect to  
11 any facility for a taxable year means the  
12 credit determined under subsection (a)  
13 with respect to such facility for such tax-  
14 able year, determined without regard to  
15 subparagraph (A) and after taking into ac-  
16 count any increase for such taxable year  
17 under clause (ii).

18 “(C) APPLICABLE PERCENTAGE.—For  
19 purposes of this paragraph—

20 “(i) IN GENERAL.—The term ‘applica-  
21 ble percentage’ means, with respect to any  
22 facility, the appropriate percentage pre-  
23 scribed by the Secretary for the month in  
24 which such facility is originally placed in  
25 service.

1                   “(ii) METHOD OF PRESCRIBING AP-  
2                   PLICABLE PERCENTAGES.—The applicable  
3                   percentages prescribed by the Secretary for  
4                   any month under clause (i) shall be per-  
5                   centages which yield over a 10-year period  
6                   amounts of limitation under subparagraph  
7                   (A) which have a present value equal to 35  
8                   percent of the eligible basis of the facility.

9                   “(iii) METHOD OF DISCOUNTING.—  
10                  The present value under clause (ii) shall be  
11                  determined—

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

15                   “(II) by using a discount rate  
16                   equal to the greater of 110 percent of  
17                   the Federal long-term rate as in effect  
18                   under section 1274(d) for the month  
19                   preceding the month for which the ap-  
20                   plicable percentage is being pre-  
21                   scribed, or 4.5 percent, and

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

1                   “(D) ELIGIBLE BASIS.—For purposes of  
2                   this paragraph—

3                   “(i) IN GENERAL.—The term ‘eligible  
4                   basis’ means, with respect to any facility,  
5                   the sum of—

6                   “(I) the basis of such facility de-  
7                   termined as of the time that such fa-  
8                   cility is originally placed in service,  
9                   and

10                  “(II) the portion of the basis of  
11                  any shared qualified property which is  
12                  properly allocable to such facility  
13                  under clause (ii).

14                  “(ii) RULES FOR ALLOCATION.—For  
15                  purposes of subclause (II) of clause (i), the  
16                  basis of shared qualified property shall be  
17                  allocated among all qualified facilities  
18                  which are projected to be placed in service  
19                  and which require utilization of such prop-  
20                  erty in proportion to projected generation  
21                  from such facilities.

22                  “(iii) SHARED QUALIFIED PROP-  
23                  ERTY.—For purposes of this paragraph,  
24                  the term ‘shared qualified property’ means,

1 with respect to any facility, any property  
2 described in section 168(e)(3)(B)(vi)—

3 “(I) which a qualified facility will  
4 require for utilization of such facility,  
5 and

6 “(II) which is not a qualified fa-  
7 cility.

8 “(iv) SPECIAL RULE RELATING TO  
9 GEOTHERMAL FACILITIES.—In the case of  
10 any qualified facility using geothermal en-  
11 ergy to produce electricity, the basis of  
12 such facility for purposes of this paragraph  
13 shall be determined as though intangible  
14 drilling and development costs described in  
15 section 263(c) were capitalized rather than  
16 expensed.

17 “(E) SPECIAL RULE FOR FIRST AND LAST  
18 YEAR OF CREDIT PERIOD.—In the case of any  
19 taxable year any portion of which is not within  
20 the 10-year period described in subsection  
21 (a)(2)(A)(ii) with respect to any facility, the  
22 amount of the limitation under subparagraph  
23 (A) with respect to such facility shall be re-  
24 duced by an amount which bears the same ratio  
25 to the amount of such limitation (determined

1 without regard to this subparagraph) as such  
2 portion of the taxable year which is not within  
3 such period bears to the entire taxable year.

4 “(F) ELECTION TO TREAT ALL FACILITIES  
5 PLACED IN SERVICE IN A YEAR AS 1 FACIL-  
6 ITY.—At the election of the taxpayer, all quali-  
7 fied facilities which are part of the same project  
8 and which are placed in service during the same  
9 calendar year shall be treated for purposes of  
10 this section as 1 facility which is placed in serv-  
11 ice at the mid-point of such year or the first  
12 day of the following calendar year.”.

13 (c) EFFECTIVE DATE.—

14 (1) IN GENERAL.—Except as provided in para-  
15 graph (2), the amendments made by this section  
16 shall apply to property originally placed in service  
17 after December 31, 2008.

18 (2) REPEAL OF CREDIT PHASEOUT.—The  
19 amendments made by subsection (b)(1) shall apply  
20 to taxable years ending after December 31, 2008.

21 **SEC. 1502. PRODUCTION CREDIT FOR ELECTRICITY PRO-**  
22 **DUCED FROM MARINE RENEWABLES.**

23 (a) IN GENERAL.—Paragraph (1) of section 45(c)  
24 (relating to resources) is amended by striking “and” at  
25 the end of subparagraph (G), by striking the period at



1 the end of subparagraph (H) and inserting “, and”, and  
2 by adding at the end the following new subparagraph:

3 “(I) marine and hydrokinetic renewable en-  
4 ergy.”.

5 (b) MARINE RENEWABLES.—Subsection (c) of sec-  
6 tion 45 is amended by adding at the end the following  
7 new paragraph:

8 “(10) MARINE AND HYDROKINETIC RENEW-  
9 ABLE ENERGY.—

10 “(A) IN GENERAL.—The term ‘marine and  
11 hydrokinetic renewable energy’ means energy  
12 derived from—

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

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

17 “(iii) free flowing water in an irriga-  
18 tion system, canal, or other man-made  
19 channel, including projects that utilize non-  
20 mechanical structures to accelerate the  
21 flow of water for electric power production  
22 purposes, or

23 “(iv) differentials in ocean tempera-  
24 ture (ocean thermal energy conversion).

1           “(B) EXCEPTIONS.—Such term shall not  
2           include any energy which is derived from any  
3           source which utilizes a dam, diversionary struc-  
4           ture (except as provided in subparagraph  
5           (A)(iii)), or impoundment for electric power  
6           production purposes.”.

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

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

15                   “(A) which has a nameplate capacity rat-  
16                   ing of at least 150 kilowatts, and

17                   “(B) which is originally placed in service  
18                   on or after the date of the enactment of this  
19                   paragraph and before January 1, 2013.”.

20           (d) CREDIT RATE.—Subparagraph (A) of section  
21           45(b)(4) is amended by striking “or (9)” and inserting  
22           “(9), or (11)”.

23           (e) COORDINATION WITH SMALL IRRIGATION  
24           POWER.—Paragraph (5) of section 45(d), as amended by

1 this Act, is amended by striking “January 1, 2013” and  
2 inserting “the date of the enactment of paragraph (11)”.

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

7 **SEC. 1503. EXTENSION AND MODIFICATION OF ENERGY**  
8 **CREDIT.**

9 (a) EXTENSION OF CREDIT.—

10 (1) SOLAR ENERGY PROPERTY.—Paragraphs  
11 (2)(A)(i)(II) and (3)(A)(ii) of section 48(a) (relating  
12 to energy credit) are each amended by striking  
13 “January 1, 2009” and inserting “January 1,  
14 2017”.

15 (2) FUEL CELL PROPERTY.—Subparagraph (E)  
16 of section 48(c)(1) (relating to qualified fuel cell  
17 property) is amended by striking “December 31,  
18 2008” and inserting “December 31, 2016”.

19 (3) MICROTURBINE PROPERTY.—Subparagraph  
20 (E) of section 48(c)(2) (relating to qualified micro-  
21 turbine property) is amended by striking “December  
22 31, 2008” and inserting “December 31, 2016”.

23 (b) ALLOWANCE OF ENERGY CREDIT AGAINST AL-  
24 TERNATIVE MINIMUM TAX.—Subparagraph (B) of section  
25 38(c)(4) (relating to specified credits) is amended by strik-

1 ing “and” at the end of clause (iii), by striking the period  
2 at the end of clause (iv) and inserting “, and”, and by  
3 adding at the end the following new clause:

4 “(v) the credit determined under sec-  
5 tion 46 to the extent that such credit is at-  
6 tributable to the energy credit determined  
7 under section 48.”.

8 (c) ENERGY CREDIT FOR COMBINED HEAT AND  
9 POWER SYSTEM PROPERTY.—

10 (1) IN GENERAL.—Section 48(a)(3)(A) (defin-  
11 ing energy property) is amended by striking “or” at  
12 the end of clause (iii), by inserting “or” at the end  
13 of clause (iv), and by adding at the end the following  
14 new clause:

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

17 (2) COMBINED HEAT AND POWER SYSTEM  
18 PROPERTY.—Section 48 (relating to energy credit;  
19 reforestation credit) is amended by adding at the  
20 end the following new subsection:

21 “(d) COMBINED HEAT AND POWER SYSTEM PROP-  
22 erty.—For purposes of subsection (a)(3)(A)(v)—

23 “(1) COMBINED HEAT AND POWER SYSTEM  
24 PROPERTY.—The term ‘combined heat and power

1       system property’ means property comprising a sys-  
2       tem—

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

9               “(B) which produces—

10               “(i) at least 20 percent of its total  
11               useful energy in the form of thermal en-  
12               ergy which is not used to produce electrical  
13               or mechanical power (or combination  
14               thereof), and

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

18               “(C) the energy efficiency percentage of  
19       which exceeds 60 percent, and

20               “(D) which is placed in service before Jan-  
21       uary 1, 2017.

22       “(2) LIMITATION.—

23               “(A) IN GENERAL.—In the case of com-  
24       bined heat and power system property with an  
25       electrical capacity in excess of the applicable ca-

1           capacity placed in service during the taxable year,  
2           the credit under subsection (a)(1) (determined  
3           without regard to this paragraph) for such year  
4           shall be equal to the amount which bears the  
5           same ratio to such credit as the applicable ca-  
6           pacity bears to the capacity of such property.

7           “(B) APPLICABLE CAPACITY.—For pur-  
8           poses of subparagraph (A), the term ‘applicable  
9           capacity’ means 15 megawatts or a mechanical  
10          energy capacity of more than 20,000 horse-  
11          power or an equivalent combination of electrical  
12          and mechanical energy capacities.

13          “(C) MAXIMUM CAPACITY.—The term  
14          ‘combined heat and power system property’  
15          shall not include any property comprising a sys-  
16          tem if such system has a capacity in excess of  
17          50 megawatts or a mechanical energy capacity  
18          in excess of 67,000 horsepower or an equivalent  
19          combination of electrical and mechanical energy  
20          capacities.

21          “(3) SPECIAL RULES.—

22                 “(A) ENERGY EFFICIENCY PERCENT-  
23                 AGE.—For purposes of this subsection, the en-  
24                 ergy efficiency percentage of a system is the  
25                 fraction—

1 “(i) the numerator of which is the  
2 total useful electrical, thermal, and me-  
3 chanical power produced by the system at  
4 normal operating rates, and expected to be  
5 consumed in its normal application, and

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

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

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

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

24 “(A) paragraph (1)(C) shall not apply, but

1           “(B) the amount of credit determined  
2           under subsection (a) with respect to such sys-  
3           tem shall not exceed the amount which bears  
4           the same ratio to such amount of credit (deter-  
5           mined without regard to this paragraph) as the  
6           energy efficiency percentage of such system  
7           bears to 60 percent.”.

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

11          (e) PUBLIC ELECTRIC UTILITY PROPERTY TAKEN  
12          INTO ACCOUNT.—

13               (1) IN GENERAL.—Paragraph (3) of section  
14               48(a) is amended by striking the second sentence  
15               thereof.

16               (2) CONFORMING AMENDMENTS.—

17                     (A) Paragraph (1) of section 48(c) is  
18                     amended by striking subparagraph (D) and re-  
19                     designating subparagraph (E) as subparagraph  
20                     (D).

21                     (B) Paragraph (2) of section 48(c) is  
22                     amended by striking subparagraph (D) and re-  
23                     designating subparagraph (E) as subparagraph  
24                     (D).



1 (f) CLERICAL AMENDMENTS.—Paragraphs (1)(B)  
2 and (2)(B) of section 48(c) are each amended by striking  
3 “paragraph (1)” and inserting “subsection (a)”.

4 (g) EFFECTIVE DATE.—

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

9 (2) ALLOWANCE AGAINST ALTERNATIVE MIN-  
10 IMUM TAX.—The amendments made by subsection  
11 (b) shall apply to credits determined under section  
12 46 of the Internal Revenue Code of 1986 in taxable  
13 years beginning after the date of the enactment of  
14 this Act and to carrybacks of such credits.

15 (3) COMBINED HEAT AND POWER AND FUEL  
16 CELL PROPERTY.—The amendments made by sub-  
17 sections (c) and (d) shall apply to periods after the  
18 date of the enactment of this Act, in taxable years  
19 ending after such date, under rules similar to the  
20 rules of section 48(m) of the Internal Revenue Code  
21 of 1986 (as in effect on the day before the date of  
22 the enactment of the Revenue Reconciliation Act of  
23 1990).

24 (4) PUBLIC ELECTRIC UTILITY PROPERTY.—  
25 The amendments made by subsection (e) shall apply

1 to periods after June 20, 2007, in taxable years end-  
2 ing after such date, under rules similar to the rules  
3 of section 48(m) of the Internal Revenue Code of  
4 1986 (as in effect on the day before the date of the  
5 enactment of the Revenue Reconciliation Act of  
6 1990).

7 **SEC. 1504. EXTENSION AND MODIFICATION OF CREDIT FOR**  
8 **RESIDENTIAL ENERGY EFFICIENT PROP-**  
9 **ERTY.**

10 (a) EXTENSION.—Section 25D(g) (relating to termi-  
11 nation) is amended by striking “December 31, 2008” and  
12 inserting “December 31, 2014”.

13 (b) MAXIMUM CREDIT FOR SOLAR ELECTRIC PROP-  
14 ERTY.—

15 (1) IN GENERAL.—Section 25D(b)(1)(A) (relat-  
16 ing to maximum credit) is amended by striking  
17 “\$2,000” and inserting “\$4,000”.

18 (2) CONFORMING AMENDMENT.—Section  
19 25D(e)(4)(A)(i) is amended by striking “\$6,667”  
20 and inserting “\$13,334”.

21 (c) CREDIT FOR RESIDENTIAL WIND PROPERTY.—

22 (1) IN GENERAL.—Section 25D(a) (relating to  
23 allowance of credit) is amended by striking “and” at  
24 the end of paragraph (2), by striking the period at

1 the end of paragraph (3) and inserting “, and”, and  
2 by adding at the end the following new paragraph:

3 “(4) 30 percent of the qualified small wind en-  
4 ergy property expenditures made by the taxpayer  
5 during such year.”.

6 (2) LIMITATION.—Section 25D(b)(1) (relating  
7 to maximum credit) is amended by striking “and” at  
8 the end of subparagraph (B), by striking the period  
9 at the end of subparagraph (C) and inserting “,  
10 and”, and by adding at the end the following new  
11 subparagraph:

12 “(D) \$500 with respect to each half kilo-  
13 watt of capacity (not to exceed \$4,000) of wind  
14 turbines for which qualified small wind energy  
15 property expenditures are made.”.

16 (3) QUALIFIED SMALL WIND ENERGY PROP-  
17 ERTY EXPENDITURES.—

18 (A) IN GENERAL.—Section 25D(d) (relat-  
19 ing to definitions) is amended by adding at the  
20 end the following new paragraph:

21 “(4) QUALIFIED SMALL WIND ENERGY PROP-  
22 ERTY EXPENDITURE.—The term ‘qualified small  
23 wind energy property expenditure’ means an expend-  
24 iture for property which uses a wind turbine to gen-  
25 erate electricity for use in connection with a dwelling

1 unit located in the United States and used as a resi-  
2 dence by the taxpayer.”.

3 (B) NO DOUBLE BENEFIT.—Section  
4 45(d)(1) (relating to wind facility) is amended  
5 by adding at the end the following new sen-  
6 tence: “Such term shall not include any facility  
7 with respect to which any qualified small wind  
8 energy property expenditure (as defined in sub-  
9 section (d)(4) of section 25D) is taken into ac-  
10 count in determining the credit under such sec-  
11 tion.”.

12 (4) MAXIMUM EXPENDITURES IN CASE OF  
13 JOINT OCCUPANCY.—Section 25D(e)(4)(A) (relating  
14 to maximum expenditures) is amended by striking  
15 “and” at the end of clause (ii), by striking the pe-  
16 riod at the end of clause (iii) and inserting “, and”,  
17 and by adding at the end the following new clause:

18 “(iv) \$1,667 in the case of each half  
19 kilowatt of capacity of wind turbines for  
20 which qualified small wind energy property  
21 expenditures are made.”.

22 (d) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
23 IMUM TAX.—

24 (1) IN GENERAL.—Subsection (c) of section  
25 25D is amended to read as follows:

1       “(c) LIMITATION BASED ON AMOUNT OF TAX;  
2 CARRYFORWARD OF UNUSED CREDIT.—

3               “(1) LIMITATION BASED ON AMOUNT OF  
4 TAX.—In the case of a taxable year to which section  
5 26(a)(2) does not apply, the credit allowed under  
6 subsection (a) for the taxable year shall not exceed  
7 the excess of—

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

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

14       “(2) CARRYFORWARD OF UNUSED CREDIT.—

15              “(A) RULE FOR YEARS IN WHICH ALL  
16 PERSONAL CREDITS ALLOWED AGAINST REG-  
17 ULAR AND ALTERNATIVE MINIMUM TAX.—In  
18 the case of a taxable year to which section  
19 26(a)(2) applies, if the credit allowable under  
20 subsection (a) exceeds the limitation imposed by  
21 section 26(a)(2) for such taxable year reduced  
22 by the sum of the credits allowable under this  
23 subpart (other than this section), such excess  
24 shall be carried to the succeeding taxable year

1 and added to the credit allowable under sub-  
2 section (a) for such succeeding taxable year.

3 “(B) RULE FOR OTHER YEARS.—In the  
4 case of a taxable year to which section 26(a)(2)  
5 does not apply, if the credit allowable under  
6 subsection (a) exceeds the limitation imposed by  
7 paragraph (1) for such taxable year, such ex-  
8 cess shall be carried to the succeeding taxable  
9 year and added to the credit allowable under  
10 subsection (a) for such succeeding taxable  
11 year.”.

12 (2) CONFORMING AMENDMENTS.—

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

15 (B) Section 24(b)(3)(B) is amended by  
16 striking “and 25B” and inserting “, 25B, and  
17 25D”.

18 (C) Section 25B(g)(2) is amended by strik-  
19 ing “section 23” and inserting “sections 23 and  
20 25D”.

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

23 (e) EFFECTIVE DATES.—

24 (1) IN GENERAL.—Except as otherwise pro-  
25 vided in this subsection, the amendments made by

1       this section shall apply to expenditures after Decem-  
2       ber 31, 2007.

3           (2) ALLOWANCE AGAINST ALTERNATIVE MIN-  
4       IMUM TAX.—

5           (A) IN GENERAL.—The amendments made  
6       by subsection (d) shall apply to taxable years  
7       beginning after the date of the enactment of  
8       this Act.

9           (B) APPLICATION OF EGTRRA SUNSET.—  
10       The amendments made by subparagraphs (A)  
11       and (B) of subsection (d)(2) shall be subject to  
12       title IX of the Economic Growth and Tax Relief  
13       Reconciliation Act of 2001 in the same manner  
14       as the provisions of such Act to which such  
15       amendments relate.

16 **SEC. 1505. EXTENSION AND MODIFICATION OF SPECIAL**  
17 **RULE TO IMPLEMENT FERC AND STATE**  
18 **ELECTRIC RESTRUCTURING POLICY.**

19       (a) EXTENSION FOR QUALIFIED ELECTRIC UTILI-  
20       TIES.—

21           (1) IN GENERAL.—Paragraph (3) of section  
22       451(i) (relating to special rule for sales or disposi-  
23       tions to implement Federal Energy Regulatory Com-  
24       mission or State electric restructuring policy) is  
25       amended by inserting “(before January 1, 2010, in

1 the case of a qualified electric utility)” after “Janu-  
2 ary 1, 2008”.

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

8 “(6) QUALIFIED ELECTRIC UTILITY.—For pur-  
9 poses of this subsection, the term ‘qualified electric  
10 utility’ means a person that, as of the date of the  
11 qualifying electric transmission transaction, is  
12 vertically integrated, in that it is both—

13 “(A) a transmitting utility (as defined in  
14 section 3(23) of the Federal Power Act (16  
15 U.S.C. 796(23)) with respect to the trans-  
16 mission facilities to which the election under  
17 this subsection applies, and

18 “(B) an electric utility (as defined in sec-  
19 tion 3(22) of the Federal Power Act (16 U.S.C.  
20 796(22)).”.

21 (b) EXTENSION OF PERIOD FOR TRANSFER OF  
22 OPERATIONAL CONTROL AUTHORIZED BY FERC.—  
23 Clause (ii) of section 451(i)(4)(B) is amended by striking  
24 “December 31, 2007” and inserting “the date which is



1 4 years after the close of the taxable year in which the  
2 transaction occurs”.

3 (c) PROPERTY LOCATED OUTSIDE THE UNITED  
4 STATES NOT TREATED AS EXEMPT UTILITY PROP-  
5 ERTY.—Paragraph (5) of section 451(i) is amended by  
6 adding at the end the following new subparagraph:

7 “(C) EXCEPTION FOR PROPERTY LOCATED  
8 OUTSIDE THE UNITED STATES.—The term ‘ex-  
9 empt utility property’ shall not include any  
10 property which is located outside the United  
11 States.”.

12 (d) EFFECTIVE DATES.—

13 (1) EXTENSION.—The amendments made by  
14 subsection (a) shall apply to transactions after De-  
15 cember 31, 2007.

16 (2) TRANSFERS OF OPERATIONAL CONTROL.—  
17 The amendment made by subsection (b) shall take  
18 effect as if included in section 909 of the American  
19 Jobs Creation Act of 2004.

20 (3) EXCEPTION FOR PROPERTY LOCATED OUT-  
21 SIDE THE UNITED STATES.—The amendment made  
22 by subsection (c) shall apply to transactions after  
23 the date of the enactment of this Act.

1 **SEC. 1506. NEW CLEAN RENEWABLE ENERGY BONDS.**

2 (a) IN GENERAL.—Part IV of subchapter A of chap-  
3 ter 1 (relating to credits against tax) is amended by add-  
4 ing at the end the following new subpart:

5 **“Subpart I—Qualified Tax Credit Bonds**

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

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

6 **“SEC. 54A. CREDIT TO HOLDERS OF QUALIFIED TAX CRED-**  
7 **IT BONDS.**

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

15 “(b) AMOUNT OF CREDIT.—

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

21 “(2) ANNUAL CREDIT.—The annual credit de-  
22 termined with respect to any qualified tax credit  
23 bond is the product of—

1 “(A) the applicable credit rate, multiplied  
2 by

3 “(B) the outstanding face amount of the  
4 bond.

“(3) APPLICABLE CREDIT RATE.—For purposes of paragraph (2), the applicable credit rate is 70 percent of the rate which the Secretary estimates will permit the issuance of qualified tax credit bonds with a specified maturity or redemption date without discount and without interest cost to the qualified issuer. The applicable credit rate with respect to any qualified tax credit bond shall be determined as of the first day on which there is a binding, written contract for the sale or exchange of the bond.

“(4) SPECIAL RULE FOR ISSUANCE AND REDEMPTION.—In the case of a bond which is issued during the 3-month period ending on a credit allowance date, the amount of the credit determined under this subsection with respect to such credit allowance date shall be a ratable portion of the credit otherwise determined based on the portion of the 3-month period during which the bond is outstanding. A similar rule shall apply when the bond is redeemed or matures.

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

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

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

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

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

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

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

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

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

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

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

17           “(B) FAILURE TO SPEND REQUIRED  
18           AMOUNT OF BOND PROCEEDS WITHIN 3  
19           YEARS.—

20                  “(i) IN GENERAL.—To the extent that  
21                  less than 100 percent of the available  
22                  project proceeds of the issue are expended  
23                  by the close of the expenditure period for  
24                  1 or more qualified purposes, the issuer  
25                  shall redeem all of the nonqualified bonds

1           within 90 days after the end of such pe-  
2           riod. For purposes of this paragraph, the  
3           amount of the nonqualified bonds required  
4           to be redeemed shall be determined in the  
5           same manner as under section 142.

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

13          “(iii) EXTENSION OF PERIOD.—Upon  
14          submission of a request prior to the expira-  
15          tion of the expenditure period (determined  
16          without regard to any extension under this  
17          clause), the Secretary may extend such pe-  
18          riod if the issuer establishes that the fail-  
19          ure to expend the proceeds within the  
20          original expenditure period is due to rea-  
21          sonable cause and the expenditures for  
22          qualified purposes will continue to proceed  
23          with due diligence.

1 “(C) QUALIFIED PURPOSE.—For purposes  
2 of this paragraph, the term ‘qualified purpose’  
3 means a purpose specified in section 54B(a)(1).

4 “(D) REIMBURSEMENT.—For purposes of  
5 this subtitle, available project proceeds of an  
6 issue shall be treated as spent for a qualified  
7 purpose if such proceeds are used to reimburse  
8 the issuer for amounts paid for a qualified pur-  
9 pose after the date that the Secretary makes an  
10 allocation of bond limitation with respect to  
11 such issue, but only if—

12 “(i) prior to the payment of the origi-  
13 nal expenditure, the issuer declared its in-  
14 tent to reimburse such expenditure with  
15 the proceeds of a qualified tax credit bond,

16 “(ii) not later than 60 days after pay-  
17 ment of the original expenditure, the issuer  
18 adopts an official intent to reimburse the  
19 original expenditure with such proceeds,  
20 and

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

24 “(3) REPORTING.—An issue shall be treated as  
25 meeting the requirements of this paragraph if the

1 issuer of qualified tax credit bonds submits reports  
2 similar to the reports required under section 149(e).

3 “(4) SPECIAL RULES RELATING TO ARBI-  
4 TRAGE.—

5 “(A) IN GENERAL.—An issue shall be  
6 treated as meeting the requirements of this  
7 paragraph if the issuer satisfies the require-  
8 ments of section 148 with respect to the pro-  
9 ceeds of the issue.

10 “(B) SPECIAL RULE FOR INVESTMENTS  
11 DURING EXPENDITURE PERIOD.—An issue shall  
12 not be treated as failing to meet the require-  
13 ments of subparagraph (A) by reason of any in-  
14 vestment of available project proceeds during  
15 the expenditure period.

16 “(C) SPECIAL RULE FOR RESERVE  
17 FUNDS.—An issue shall not be treated as fail-  
18 ing to meet the requirements of subparagraph  
19 (A) by reason of any fund which is expected to  
20 be used to repay such issue if—

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

23 “(ii) such fund is funded in a manner  
24 reasonably expected to result in an amount



1 not greater than an amount necessary to  
2 repay the issue, and

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

7 “(5) MATURITY LIMITATION.—

8 “(A) IN GENERAL.—An issue shall be  
9 treated as meeting the requirements of this  
10 paragraph if the maturity of any bond which is  
11 part of such issue does not exceed the max-  
12 imum term determined by the Secretary under  
13 subparagraph (B).

14 “(B) MAXIMUM TERM.—During each cal-  
15 endar month, the Secretary shall determine the  
16 maximum term permitted under this paragraph  
17 for bonds issued during the following calendar  
18 month. Such maximum term shall be the term  
19 which the Secretary estimates will result in the  
20 present value of the obligation to repay the  
21 principal on the bond being equal to 50 percent  
22 of the face amount of such bond. Such present  
23 value shall be determined using as a discount  
24 rate the average annual interest rate of tax-ex-  
25 empt obligations having a term of 10 years or

1 more which are issued during the month. If the  
2 term as so determined is not a multiple of a  
3 whole year, such term shall be rounded to the  
4 next highest whole year.

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

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

12 “(B) if the Secretary prescribes additional  
13 conflicts of interest rules governing the appro-  
14 priate Members of Congress, Federal, State,  
15 and local officials, and their spouses, such addi-  
16 tional rules are satisfied with respect to such  
17 issue.

18 “(e) OTHER DEFINITIONS.—For purposes of this  
19 subchapter—

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

22 “(A) March 15,

23 “(B) June 15,

24 “(C) September 15, and

25 “(D) December 15.

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

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

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

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

10               “(A) the excess of—

11                       “(i) the proceeds from the sale of an  
12                       issue, over

13                       “(ii) the issuance costs financed by  
14                       the issue (to the extent that such costs do  
15                       not exceed 2 percent of such proceeds),  
16                       and

17               “(B) the proceeds from any investment of  
18       the excess described in subparagraph (A).

19               “(f) CREDIT TREATED AS INTEREST.—For purposes  
20       of this subtitle, the credit determined under subsection (a)  
21       shall be treated as interest which is includible in gross in-  
22       come.

23               “(g) S CORPORATIONS AND PARTNERSHIPS.—In the  
24       case of a tax credit bond held by an S corporation or part-  
25       nership, the allocation of the credit allowed by this section

1 to the shareholders of such corporation or partners of such  
2 partnership shall be treated as a distribution.

3 “(h) BONDS HELD BY REGULATED INVESTMENT  
4 COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—  
5 If any qualified tax credit bond is held by a regulated in-  
6 vestment company or a real estate investment trust, the  
7 credit determined under subsection (a) shall be allowed to  
8 shareholders of such company or beneficiaries of such  
9 trust (and any gross income included under subsection (f)  
10 with respect to such credit shall be treated as distributed  
11 to such shareholders or beneficiaries) under procedures  
12 prescribed by the Secretary.

13 “(i) CREDITS MAY BE STRIPPED.—Under regula-  
14 tions prescribed by the Secretary—

15 “(1) IN GENERAL.—There may be a separation  
16 (including at issuance) of the ownership of a quali-  
17 fied tax credit bond and the entitlement to the credit  
18 under this section with respect to such bond. In case  
19 of any such separation, the credit under this section  
20 shall be allowed to the person who on the credit al-  
21 lowance date holds the instrument evidencing the en-  
22 titlement to the credit and not to the holder of the  
23 bond.

24 “(2) CERTAIN RULES TO APPLY.—In the case  
25 of a separation described in paragraph (1), the rules

1 of section 1286 shall apply to the qualified tax credit  
2 bond as if it were a stripped bond and to the credit  
3 under this section as if it were a stripped coupon.

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

5 “(a) NEW CLEAN RENEWABLE ENERGY BOND.—For  
6 purposes of this subpart, the term ‘new clean renewable  
7 energy bond’ means any bond issued as part of an issue  
8 if—

9 “(1) 100 percent of the available project pro-  
10 ceeds of such issue are to be used for capital expend-  
11 itures incurred by public power providers, govern-  
12 mental bodies, or cooperative electric companies for  
13 one or more qualified renewable energy facilities,

14 “(2) the bond is issued by a qualified issuer,  
15 and

16 “(3) the issuer designates such bond for pur-  
17 poses of this section.

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

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

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

6           “(A) not more than 33  $\frac{1}{3}$  percent thereof  
7       may be allocated to qualified projects of public  
8       power providers,

9           “(B) not more than 33  $\frac{1}{3}$  percent thereof  
10      may be allocated to qualified projects of govern-  
11      mental bodies, and

12          “(C) not more than 33  $\frac{1}{3}$  percent thereof  
13      may be allocated to qualified projects of cooper-  
14      ative electric companies.

15          “(3) METHOD OF ALLOCATION.—

16          “(A) ALLOCATION AMONG PUBLIC POWER  
17      PROVIDERS.—After the Secretary determines  
18      the qualified projects of public power providers  
19      which are appropriate for receiving an alloca-  
20      tion of the national new clean renewable energy  
21      bond limitation, the Secretary shall, to the max-  
22      imum extent practicable, make allocations  
23      among such projects in such manner that the  
24      amount allocated to each such project bears the  
25      same ratio to the cost of such project as the

1 limitation under paragraph (2)(A) bears to the  
2 cost of all such projects.

3 “(B) ALLOCATION AMONG GOVERNMENTAL  
4 BODIES AND COOPERATIVE ELECTRIC COMPA-  
5 NIES.—The Secretary shall make allocations of  
6 the amount of the national new clean renewable  
7 energy bond limitation described in paragraphs  
8 (2)(B) and (2)(C) among qualified projects of  
9 governmental bodies and cooperative electric  
10 companies, respectively, in such manner as the  
11 Secretary determines appropriate.

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

13 “(1) QUALIFIED RENEWABLE ENERGY FACIL-  
14 ITY.—The term ‘qualified renewable energy facility’  
15 means a qualified facility (as determined under sec-  
16 tion 45(d) without regard to paragraphs (8) and  
17 (10) thereof and to any placed in service date)  
18 owned by a public power provider, a governmental  
19 body, or a cooperative electric company.

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

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

4           “(4) COOPERATIVE ELECTRIC COMPANY.—The  
5       term ‘cooperative electric company’ means a mutual  
6       or cooperative electric company described in section  
7       501(c)(12) or section 1381(a)(2)(C).

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

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

21          (b) REPORTING.—Subsection (d) of section 6049 (re-  
22      lating to returns regarding payments of interest) is  
23      amended by adding at the end the following new para-  
24      graph:



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

3           “(A) IN GENERAL.—For purposes of sub-  
4 section (a), the term ‘interest’ includes amounts  
5 includible in gross income under section 54A  
6 and such amounts shall be treated as paid on  
7 the credit allowance date (as defined in section  
8 54A(e)(1)).

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

16           “(C) REGULATORY AUTHORITY.—The Sec-  
17 retary may prescribe such regulations as are  
18 necessary or appropriate to carry out the pur-  
19 poses of this paragraph, including regulations  
20 which require more frequent or more detailed  
21 reporting.”.

22 (c) CONFORMING AMENDMENTS.—

23           (1) Sections 54(c)(2) and 1400N(l)(3)(B) are  
24 each amended by striking “subpart C” and inserting  
25 “subparts C and I”.

1           (2) Section 1397E(c)(2) is amended by striking  
2           “subpart H” and inserting “subparts H and I”.

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

5           (4) The heading of subpart H of part IV of  
6           subchapter A of chapter 1 is amended by striking  
7           “**Certain Bonds**” and inserting “**Clean Re-**  
8           **newable Energy Bonds**”.

9           (5) The table of subparts for part IV of sub-  
10          chapter A of chapter 1 is amended by striking the  
11          item relating to subpart H and inserting the fol-  
12          lowing new items:

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

“SUBPART I. QUALIFIED TAX CREDIT BONDS.”.

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

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

1     **PART II—PROVISIONS RELATING TO CARBON**

2                     **MITIGATION AND COAL**

3     **SEC. 1507. EXPANSION AND MODIFICATION OF ADVANCED**

4                     **COAL PROJECT INVESTMENT CREDIT.**

5             (a) MODIFICATION OF CREDIT AMOUNT.—Section  
6     48A(a) (relating to qualifying advanced coal project cred-  
7     it) is amended by striking “and” at the end of paragraph  
8     (1), by striking the period at the end of paragraph (2)  
9     and inserting “, and”, and by adding at the end the fol-  
10    lowing the paragraph:

11               “(3) 30 percent of the qualified investment for  
12       such taxable year in the case of projects described  
13       in clauses (iii) or (iv) of subsection (d)(3)(B).”.

14             (b) EXPANSION OF AGGREGATE CREDITS.—Section  
15     48A(d)(3)(A) (relating to aggregate credits) is amended  
16     by striking “\$1,300,000,000” and inserting  
17     “\$2,800,000,000”.

18             (c) AUTHORIZATION OF ADDITIONAL PROJECTS.—

19               (1) IN GENERAL.—Subparagraph (B) of section  
20     48A(d)(3) (relating to aggregate credits) is amended  
21     to read as follows:

22               “(B) PARTICULAR PROJECTS.—Of the dol-  
23       lar amount in subparagraph (A), the Secretary  
24       is authorized to certify—

25                     “(i) \$800,000,000 for integrated gas-  
26       ification combined cycle projects the appli-

1 cation for which is submitted during the  
2 period described in paragraph (2)(A)(i),

3 “(ii) \$500,000,000 for projects which  
4 use other advanced coal-based generation  
5 technologies the application for which is  
6 submitted during the period described in  
7 paragraph (2)(A)(i),

8 “(iii) \$1,000,000,000 for integrated  
9 gasification combined cycle projects the ap-  
10 plication for which is submitted during the  
11 period described in paragraph (2)(A)(ii),  
12 and

13 “(iv) \$500,000,000 for other ad-  
14 vanced coal-based generation technology  
15 projects the application for which is sub-  
16 mitted during the period described in para-  
17 graph (2)(A)(ii).”.

18 (2) APPLICATION PERIOD FOR ADDITIONAL  
19 PROJECTS.—Subparagraph (A) of section 48A(d)(2)  
20 (relating to certification) is amended to read as fol-  
21 lows:

22 “(A) APPLICATION PERIOD.—Each appli-  
23 cant for certification under this paragraph shall  
24 submit an application meeting the requirements

1 of subparagraph (B). An applicant may only  
2 submit an application—

3 “(i) for an allocation from the dollar  
4 amount specified in clause (i) or (ii) of  
5 paragraph (3)(A) during the 3-year period  
6 beginning on the date the Secretary estab-  
7 lishes the program under paragraph (1),  
8 and

9 “(ii) for an allocation from the dollar  
10 amount specified in clause (iii) or (iv) of  
11 paragraph (3)(A) during the 3-year period  
12 beginning at the earlier of the termination  
13 of the period described in clause (i) or the  
14 date prescribed by the Secretary.”.

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

17 (A) IN GENERAL.—Section 48A(e)(1) (re-  
18 lating to requirements) is amended by striking  
19 “and” at the end of subparagraph (E), by  
20 striking the period at the end of subparagraph  
21 (F) and inserting “; and”, and by adding at the  
22 end the following new subparagraph:

23 “(G) in the case of any project the applica-  
24 tion for which is submitted during the period  
25 described in subsection (d)(2)(A)(ii), the project

1 includes equipment which separates and seques-  
2 ters at least 65 percent (70 percent in the case  
3 of an application for reallocated credits under  
4 subsection (d)(4)) of such project's total carbon  
5 dioxide emissions.”.

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

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

17 (C) RECAPTURE OF CREDIT FOR FAILURE  
18 TO SEQUESTER.—Section 48A (relating to  
19 qualifying advanced coal project credit) is  
20 amended by adding at the end the following  
21 new subsection:

22 “(h) RECAPTURE OF CREDIT FOR FAILURE TO SE-  
23 QUESTER.—The Secretary shall provide for recapturing  
24 the benefit of any credit allowable under subsection (a)  
25 with respect to any project which fails to attain or main-

tain the separation and sequestration requirements of subsection (e)(1)(G).”.

(4) ADDITIONAL PRIORITY FOR RESEARCH PARTNERSHIPS.—Section 48A(e)(3)(B), as amended by paragraph (3)(B), is amended—

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

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

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

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

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

(d) COMPETITIVE CERTIFICATION AWARDS MODIFICATION AUTHORITY.—Section 48A (relating to qualifying advanced coal project credit), as amended by subsection (c)(3), is amended by adding at the end the following new subsection:

1       “(i) COMPETITIVE CERTIFICATION AWARDS MODI-  
2       FICATION AUTHORITY.—In implementing this section or  
3       section 48B, the Secretary is directed to modify the terms  
4       of any competitive certification award and any associated  
5       closing agreement where such modification—

6               “(1) is consistent with the objectives of such  
7       section,

8               “(2) is requested by the recipient of the com-  
9       petitive certification award, and

10              “(3) involves moving the project site to improve  
11       the potential to capture and sequester carbon dioxide  
12       emissions, reduce costs of transporting feedstock,  
13       and serve a broader customer base,  
14       unless the Secretary determines that the dollar amount  
15       of tax credits available to the taxpayer under such section  
16       would increase as a result of the modification or such  
17       modification would result in such project not being origi-  
18       nally certified. In considering any such modification, the  
19       Secretary shall consult with other relevant Federal agen-  
20       cies, including the Department of Energy.”.

21       (e) EFFECTIVE DATES.—

22              (1) IN GENERAL.—Except as otherwise pro-  
23       vided in this subsection, the amendments made by  
24       this section shall apply to credits the application for  
25       which is submitted during the period described in



1       section 48A(d)(2)(A)(ii) of the Internal Revenue  
2       Code of 1986 and which are allocated or reallocated  
3       after the date of the enactment of this Act.

4           (2) COMPETITIVE CERTIFICATION AWARDS  
5       MODIFICATION AUTHORITY.—The amendment made  
6       by subsection (d) shall take effect on the date of the  
7       enactment of this Act and is applicable to all com-  
8       petitive certification awards entered into under sec-  
9       tion 48A or 48B of the Internal Revenue Code of  
10      1986, whether such awards were issued before, on,  
11      or after such date of enactment.

12          (3) TECHNICAL AMENDMENT.—The amendment  
13      made by subsection (c)(5) shall take effect as if in-  
14      cluded in the amendment made by section 1307(b)  
15      of the Energy Tax Incentives Act of 2005.

16   **SEC. 1508. EXPANSION AND MODIFICATION OF COAL GAS-**  
17                   **IFICATION INVESTMENT CREDIT.**

18      (a) CREDIT RATE.—Section 48B(a) (relating to  
19      qualifying gasification project credit) is amended by in-  
20      serting “(30 percent in the case of credits allocated under  
21      subsection (d)(1)(B))” after “20 percent”.

22      (b) EXPANSION OF AGGREGATE CREDITS.—Section  
23      48B(d)(1) (relating to qualifying gasification project pro-  
24      gram) is amended by striking “shall not exceed

1 \$350,000,000” and all that follows and inserting “shall  
2 not exceed—

3 “(A) \$350,000,000, plus

4 “(B) \$500,000,000 for qualifying gasifi-  
5 cation projects that include equipment which  
6 separates and sequesters at least 75 percent of  
7 such a project’s total carbon dioxide emissions,  
8 under rules similar to the rules of section  
9 48A(d)(4).”.

10 (c) RECAPTURE OF CREDIT FOR FAILURE TO SE-  
11 QUESTER.—Section 48B (relating to qualifying gasifi-  
12 cation project credit) is amended by adding at the end the  
13 following new subsection:

14 “(f) RECAPTURE OF CREDIT FOR FAILURE TO SE-  
15 QUESTER.—The Secretary shall provide for recapturing  
16 the benefit of any credit allowable under subsection (a)  
17 with respect to any project which fails to attain or main-  
18 tain the separation and sequestration requirements for  
19 such project under subsection (d)(1).”.

20 (d) SELECTION PRIORITIES.—Section 48B(d) (relat-  
21 ing to qualifying gasification project program) is amended  
22 by adding at the end the following new paragraph:

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

1           “(A) give highest priority to projects with  
2           the greatest separation and sequestration per-  
3           centage of total carbon dioxide emissions, and

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

8           (e) EFFECTIVE DATE.—The amendments made by  
9           this section shall apply to credits described in section  
10          48B(d)(1)(B) of the Internal Revenue Code of 1986 which  
11          are allocated or reallocated after the date of the enactment  
12          of this Act.

13   **SEC. 1509. SEVEN-YEAR APPLICABLE RECOVERY PERIOD**  
14                   **FOR DEPRECIATION OF QUALIFIED CARBON**  
15                   **DIOXIDE PIPELINE PROPERTY.**

16          (a) IN GENERAL.—Section 168(e)(3)(C) (defining 7-  
17          year property) is amended by striking “and” at the end  
18          of clause (iv), by redesignating clause (v) as clause (vi),  
19          and by inserting after clause (iv) the following new clause:

20                   “(v) any qualified carbon dioxide pipe-  
21                   line property—

22                           “(I) the original use of which  
23                           commences with the taxpayer after  
24                           the date of the enactment of this  
25                           clause,

1 “(II) the original purpose of  
2 which is to transport carbon dioxide,  
3 and

4 “(III) which is placed in service  
5 before January 1, 2011, and”.

6 (b) DEFINITION OF QUALIFIED CARBON DIOXIDE  
7 PIPELINE PROPERTY.—Section 168(e) (relating to classi-  
8 fication of property) is amended by inserting at the end  
9 the following new paragraph:

10 “(8) QUALIFIED CARBON DIOXIDE PIPELINE  
11 PROPERTY.—

12 “(A) IN GENERAL.—The term ‘qualified  
13 carbon dioxide pipeline property’ means prop-  
14 erty which is used in the United States solely  
15 to transmit qualified carbon dioxide from the  
16 point of capture to a secure geological storage  
17 or the point at which such qualified carbon di-  
18 oxide is used as a tertiary injectant.

19 “(B) DEFINITIONS AND SPECIAL RULES.—  
20 For purposes of this paragraph—

21 “(i) QUALIFIED CARBON DIOXIDE.—  
22 The term ‘qualified carbon dioxide’ means  
23 carbon dioxide captured from an industrial  
24 source which—

1 “(I) would otherwise be released  
2 into the atmosphere as industrial  
3 emission of greenhouse gas, and

4 “(II) is measured at the source  
5 of capture and verified at the point of  
6 disposal or injection.

7 “(ii) SECURE GEOLOGICAL STOR-  
8 AGE.—The Secretary, in consultation with  
9 the Administrator of the Environmental  
10 Protection Agency, shall establish regula-  
11 tions for determining adequate security  
12 measures for the geological storage of car-  
13 bon dioxide under subparagraph (A) such  
14 that the carbon dioxide does not escape  
15 into the atmosphere. Such term shall in-  
16 clude storage at deep saline formations and  
17 unminable coal seams under such condi-  
18 tions as the Secretary may determine  
19 under such regulations.

20 “(iii) TERTIARY INJECTANT.—The  
21 term ‘tertiary injectant’ has the same  
22 meaning as when used within section  
23 193(b)(1).”.

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

4 **SEC. 1510. SPECIAL RULES FOR REFUND OF THE COAL EX-**  
5 **CISE TAX TO CERTAIN COAL PRODUCERS**  
6 **AND EXPORTERS.**

7       (a) REFUND.—

8           (1) COAL PRODUCERS.—

9           (A) IN GENERAL.—Notwithstanding sub-  
10 sections (a)(1) and (c) of section 6416 and sec-  
11 tion 6511 of the Internal Revenue Code of  
12 1986, if—

13           (i) a coal producer establishes that  
14 such coal producer, or a party related to  
15 such coal producer, exported coal produced  
16 by such coal producer to a foreign country  
17 or shipped coal produced by such coal pro-  
18 ducer to a possession of the United States,  
19 the export or shipment of which was other  
20 than through an exporter who has filed a  
21 claim for a refund under paragraph (2),

22           (ii) such coal producer filed a return  
23 on or after October 1, 1990, and on or be-  
24 fore the date of the enactment of this Act,  
25 and

1                   (iii) such coal producer files a claim  
2                   for refund not later than the close of the  
3                   30-day period beginning on the date of the  
4                   enactment of this Act,  
5                   then the Secretary of the Treasury shall pay to  
6                   such coal producer an amount equal to the tax  
7                   paid under section 4121 of such Code on such  
8                   coal exported by the coal producer or a party  
9                   related to such coal producer.

10                   (B) SPECIAL RULES FOR CERTAIN TAX-  
11                   PAYERS.—For purposes of this section—

12                   (i) ESTABLISHMENT OF EXPORT.—If  
13                   a coal producer or a party related to a coal  
14                   producer has received a judgment de-  
15                   scribed in clause (iii), such coal producer  
16                   shall be deemed to have established the ex-  
17                   port of coal to a foreign country or ship-  
18                   ment of coal to a possession of the United  
19                   States under subparagraph (A)(i).

20                   (ii) AMOUNT OF PAYMENT.—If a tax-  
21                   payer described in clause (i) is entitled to  
22                   a payment under subparagraph (A), the  
23                   amount of such payment shall be reduced  
24                   by any amount awarded under the judg-  
25                   ment described in clause (iii).

1 (iii) JUDGMENT DESCRIBED.—A judg-  
2 ment is described in this subparagraph if  
3 such judgment—

4 (I) is made by a court of com-  
5 petent jurisdiction within the United  
6 States,

7 (II) relates to the constitu-  
8 tionality of any tax paid on exported  
9 coal under section 4121 of the Inter-  
10 nal Revenue Code of 1986, and

11 (III) is in favor of the coal pro-  
12 ducer or the party related to the coal  
13 producer.

14 (iv) RECAPTURE.—In the case any  
15 judgment described in clause (iii) is over-  
16 turned, the coal producer shall pay to the  
17 Secretary the amount of any payment re-  
18 ceived under subparagraph (A) unless the  
19 coal producer establishes the export of the  
20 coal to a foreign country or shipment of  
21 coal to a possession of the United States.

22 (2) EXPORTERS.—Notwithstanding subsections  
23 (a)(1) and (c) of section 6416 and section 6511 of  
24 the Internal Revenue Code of 1986, and a judgment



1 described in paragraph (1)(B)(iii) of this subsection,  
2 if—

3 (A) an exporter establishes that such ex-  
4 porter exported coal to a foreign country or  
5 shipped coal to a possession of the United  
6 States, or caused such coal to be so exported or  
7 shipped,

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

11 (C) such exporter files a claim for refund  
12 not later than the close of the 30-day period be-  
13 ginning on the date of the enactment of this  
14 Act,

15 then the Secretary of the Treasury shall pay to such  
16 exporter an amount equal to \$0.825 per ton of such  
17 coal exported by the exporter or caused to be ex-  
18 ported by the exporter.

19 (b) LIMITATIONS.—Subsection (a) shall not apply  
20 with respect to exported coal if a credit or refund of tax  
21 imposed by section 4121 of such Code on such coal has  
22 been allowed or made to, or if a settlement with the Fed-  
23 eral Government has been made with and accepted by, the  
24 coal producer, a party related to such coal producer, or  
25 the exporter, of such coal, as of the date that the claim

1 is filed under this section with respect to such exported  
2 coal. For purposes of this subsection, the term “settlement  
3 with the Federal Government” shall not include any settle-  
4 ment or stipulation entered into as of the date of the en-  
5 actment of this Act, the terms of which contemplate a  
6 judgment concerning which any party has reserved the  
7 right to file an appeal, or has filed an appeal.

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

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

13 (1) COAL PRODUCER.—The term “coal pro-  
14 ducer” means the person in whom is vested owner-  
15 ship of the coal immediately after the coal is severed  
16 from the ground, without regard to the existence of  
17 any contractual arrangement for the sale or other  
18 disposition of the coal or the payment of any royal-  
19 ties between the producer and third parties. The  
20 term includes any person who extracts coal from  
21 coal waste refuse piles or from the silt waste product  
22 which results from the wet washing (or similar proc-  
23 essing) of coal.

24 (2) EXPORTER.—The term “exporter” means a  
25 person, other than a coal producer, who does not

1       have a contract, fee arrangement, or any other  
2       agreement with a producer or seller of such coal to  
3       sell or export such coal to a third party on behalf  
4       of the producer or seller of such coal and—

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

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

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

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

17               (B) is related (within the meaning of sec-  
18      tion 144(a)(3) of such Code) to such coal pro-  
19      ducer, or

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

24           (e) TIMING OF REFUND.—With respect to any claim  
25      for refund filed pursuant to this section, the Secretary of

1 the Treasury shall determine whether the requirements of  
2 this section are met not later than 180 days after such  
3 claim is filed. If the Secretary determines that the require-  
4 ments of this section are met, the claim for refund shall  
5 be paid not later than 180 days after the Secretary makes  
6 such determination.

7 (f) INTEREST.—Any refund paid pursuant to this  
8 section shall be paid by the Secretary of the Treasury with  
9 interest from the date of overpayment determined by using  
10 the overpayment rate and method under section 6621 of  
11 such Code.

12 (g) DENIAL OF DOUBLE BENEFIT.—The payment  
13 under subsection (a) with respect to any coal shall not ex-  
14 ceed—

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

20 (2) in the case of a payment to an exporter, an  
21 amount equal to \$0.825 per ton with respect to such  
22 coal exported by the exporter or caused to be ex-  
23 ported by the exporter.

1 (h) APPLICATION OF SECTION.—This section applies  
2 only to claims on coal exported on or after October 1,  
3 1990, through the date of the enactment of this Act.

4 (i) STANDING NOT CONFERRED.—

5 (1) EXPORTERS.—With respect to exporters,  
6 this section shall not confer standing upon an ex-  
7 porter to commence, or intervene in, any judicial or  
8 administrative proceeding concerning a claim for re-  
9 fund by a coal producer of any Federal or State tax,  
10 fee, or royalty paid by the coal producer.

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

18 **SEC. 1511. EXTENSION OF TEMPORARY INCREASE IN COAL**  
19 **EXCISE TAX.**

20 Paragraph (2) of section 4121(e) (relating to tem-  
21 porary increase termination date) is amended—

22 (1) by striking “January 1, 2014” in clause (i)  
23 and inserting “December 31, 2017”, and

24 (2) by striking “January 1 after 1981” in  
25 clause (ii) and inserting “December 31 after 2007”.

1 **SEC. 1512. CARBON AUDIT OF THE TAX CODE.**

2 (a) STUDY.—The Secretary of the Treasury shall  
3 enter into an agreement with the National Academy of  
4 Sciences to undertake a comprehensive review of the Inter-  
5 nal Revenue Code of 1986 to identify the types of and  
6 specific tax provisions that have the largest effects on car-  
7 bon and other greenhouse gas emissions and to estimate  
8 the magnitude of those effects.

9 (b) REPORT.—Not later than 2 years after the date  
10 of enactment of this Act, the National Academy of  
11 Sciences shall submit to Congress a report containing the  
12 results of study authorized under this section.

13 (c) AUTHORIZATION OF APPROPRIATIONS.—There is  
14 authorized to be appropriated to carry out this section  
15 \$1,500,000 for the period of fiscal years 2008 and 2009.

16 **Subtitle B—Transportation and**  
17 **Domestic Fuel Security**

18 **PART I—BIOFUELS**

19 **SEC. 1521. CREDIT FOR PRODUCTION OF CELLULOSIC BIO-**  
20 **MASS ALCOHOL.**

21 (a) IN GENERAL.—Subsection (a) of section 40 (re-  
22 lating to alcohol used as fuel) is amended by striking  
23 “plus” at the end of paragraph (2), by striking the period  
24 at the end of paragraph (3) and inserting “, plus”, and  
25 by adding at the end the following new paragraph:

26 “(4) the cellulosic alcohol producer credit.”.

1 (b) CELLULOSIC ALCOHOL PRODUCER CREDIT.—

2 (1) IN GENERAL.—Subsection (b) of section 40  
3 is amended by redesignating paragraph (5) as para-  
4 graph (6) and by inserting after paragraph (4) the  
5 following new paragraph:

6 “(5) CELLULOSIC ALCOHOL PRODUCER CRED-  
7 IT.—

8 “(A) IN GENERAL.—The cellulosic alcohol  
9 producer credit for the taxable year is an  
10 amount equal to the applicable amount for each  
11 gallon of qualified cellulosic alcohol production.

12 “(B) APPLICABLE AMOUNT.—For purposes  
13 of subparagraph (A), the applicable amount  
14 means the excess of—

15 “(i) \$1.01, over

16 “(ii) the amount of the credit in effect  
17 for alcohol which is ethanol under sub-  
18 section (b)(1) (without regard to sub-  
19 section (b)(3)) at the time of the qualified  
20 cellulosic alcohol production.

21 “(C) LIMITATION.—

22 “(i) IN GENERAL.—No credit shall be  
23 allowed to any taxpayer under subpara-  
24 graph (A) with respect to any qualified cel-

1                   lulosic alcohol production during the tax-  
2                   able year in excess of 60,000,000 gallons.

3                   “(ii) AGGREGATION RULE.—For pur-  
4                   poses of clause (i), all members of the  
5                   same controlled group of corporations  
6                   (within the meaning of section 267(f)) and  
7                   all persons under common control (within  
8                   the meaning of section 52(b) but deter-  
9                   mined by treating an interest of more than  
10                  50 percent as a controlling interest) shall  
11                  be treated as 1 person.

12                  “(iii) PARTNERSHIP, S CORPORA-  
13                  TIONS, AND OTHER PASS-THRU ENTI-  
14                  TIES.—In the case of a partnership, trust,  
15                  S corporation, or other pass-thru entity,  
16                  the limitation contained in clause (i) shall  
17                  be applied at the entity level and at the  
18                  partner or similar level.

19                  “(D) QUALIFIED CELLULOSIC ALCOHOL  
20                  PRODUCTION.—For purposes of this section,  
21                  the term ‘qualified cellulosic alcohol production’  
22                  means any cellulosic biomass alcohol which is  
23                  produced by the taxpayer and which during the  
24                  taxable year—



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

3 “(I) for use by such other person  
4 in the production of a qualified alco-  
5 hol mixture in such other person’s  
6 trade or business (other than casual  
7 off-farm production),

8 “(II) for use by such other per-  
9 son as a fuel in a trade or business,  
10 or

11 “(III) who sells such cellulosic  
12 biomass alcohol at retail to another  
13 person and places such cellulosic bio-  
14 mass alcohol in the fuel tank of such  
15 other person, or

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

18 The qualified cellulosic alcohol production of  
19 any taxpayer for any taxable year shall not in-  
20 clude any alcohol which is purchased by the  
21 taxpayer and with respect to which such pro-  
22 ducer increases the proof of the alcohol by addi-  
23 tional distillation.

24 “(E) CELLULOSIC BIOMASS ALCOHOL.—

1                   “(i) IN GENERAL.—The term ‘cel-  
2                   lulosic biomass alcohol’ has the meaning  
3                   given such term under section 168(l)(3),  
4                   but does not include any alcohol with a  
5                   proof of less than 150.

6                   “(ii) DETERMINATION OF PROOF.—  
7                   The determination of the proof of any alco-  
8                   hol shall be made without regard to any  
9                   added denaturants.

10                  “(F) COORDINATION WITH SMALL ETH-  
11                  ANOL PRODUCER CREDIT.—No small ethanol  
12                  producer credit shall be allowed with respect to  
13                  any qualified cellulosic alcohol production if  
14                  credit is determined with respect to such pro-  
15                  duction under this paragraph.

16                  “(G) ALLOCATION OF CELLULOSIC PRO-  
17                  DUCER CREDIT TO PATRONS OF COOPERA-  
18                  TIVE.—Rules similar to the rules under sub-  
19                  section (g)(6) shall apply for purposes of this  
20                  paragraph.

21                  “(H) APPLICATION OF PARAGRAPH.—This  
22                  paragraph shall apply with respect to qualified  
23                  cellulosic alcohol production after December 31,  
24                  2007, and before January 1, 2014.”.

1           (2) TERMINATION DATE NOT TO APPLY.—Sub-  
2       section (e) of section 40 (relating to termination) is  
3       amended—

4           (A) by inserting “or subsection (b)(5)(H)”  
5       after “by reason of paragraph (1)” in para-  
6       graph (2), and

7           (B) by adding at the end the following new  
8       paragraph:

9       “(3) EXCEPTION FOR CELLULOSIC ALCOHOL  
10      PRODUCER CREDIT.—Paragraph (1) shall not apply  
11      to the portion of the credit allowed under this sec-  
12      tion by reason of subsection (a)(4).”.

13      (c) ALCOHOL NOT USED AS A FUEL, ETC.—

14           (1) IN GENERAL.—Paragraph (3) of section  
15      40(d) is amended by redesignating subparagraph  
16      (D) as subparagraph (E) and by inserting after sub-  
17      paragraph (C) the following new subparagraph:

18           “(D) CELLULOSIC ALCOHOL PRODUCER  
19      CREDIT.—If—

20           “(i) any credit is determined under  
21      subsection (a)(4), and

22           “(ii) any person does not use such  
23      fuel for a purpose described in subsection  
24      (b)(5)(D),

1           then there is hereby imposed on such person a  
2           tax equal to the applicable amount for each gal-  
3           lon of such cellulosic biomass alcohol.”.

4           (2) CONFORMING AMENDMENTS.—

5                 (A) Subparagraph (C) of section 40(d)(3)  
6           is amended by striking “PRODUCER” in the  
7           heading and inserting “SMALL ETHANOL PRO-  
8           DUCER”.

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

13          (d) LIMITATION TO CELLULOSIC ALCOHOL WITH  
14          CONNECTION TO THE UNITED STATES.—Subsection (d)  
15          of section 40, as amended by this Act, is amended by add-  
16          ing at the end the following new paragraph:

17                 “(7) LIMITATION TO CELLULOSIC ALCOHOL  
18          WITH CONNECTION TO THE UNITED STATES.—No  
19          cellulosic alcohol producer credit shall be determined  
20          under subsection (a) with respect to any alcohol un-  
21          less such alcohol is produced in the United States.”.

22          (e) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to fuel produced after December  
24          31, 2007.

1 **SEC. 1522. EXPANSION OF SPECIAL ALLOWANCE TO CEL-**  
2 **LULOSIC BIOMASS ALCOHOL FUEL PLANT**  
3 **PROPERTY.**

4 (a) IN GENERAL.—Paragraph (3) of section 168(l)  
5 (relating to special allowance for cellulosic biomass ethanol  
6 plant property) is amended to read as follows:

7 “(3) CELLULOSIC BIOMASS ALCOHOL.—For  
8 purposes of this subsection, the term ‘cellulosic bio-  
9 mass alcohol’ means any alcohol produced from any  
10 lignocellulosic or hemicellulosic matter that is avail-  
11 able on a renewable or recurring basis.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Subsection (l) of section 168 is amended by  
14 striking “cellulosic biomass ethanol” each place it  
15 appears and inserting “cellulosic biomass alcohol”.

16 (2) The heading of section 168(l) is amended  
17 by striking “CELLULOSIC BIOMASS ETHANOL” and  
18 inserting “CELLULOSIC BIOMASS ALCOHOL”.

19 (3) The heading of paragraph (2) of section  
20 168(l) is amended by striking “CELLULOSIC BIO-  
21 MASS ETHANOL” and inserting “CELLULOSIC BIO-  
22 MASS ALCOHOL”.

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

1   **SEC. 1523. MODIFICATION OF ALCOHOL CREDIT.**

2           (a) INCOME TAX CREDIT.—Subsection (h) of section  
3   40 (relating to reduced credit for ethanol blenders) is  
4   amended by adding at the end the following new para-  
5   graph:

6           “(3) REDUCED AMOUNT AFTER SALE OF  
7       7,500,000,000 GALLONS.—

8           “(A) IN GENERAL.—In the case of any cal-  
9       endar year beginning after the calendar year  
10      described in subparagraph (B), the last row in  
11      the table in paragraph (2) shall be applied by  
12      substituting ‘46 cents’ for ‘51 cents’.

13          “(B) CALENDAR YEAR DESCRIBED.—The  
14      calendar year described in this subparagraph is  
15      the first calendar year beginning after 2007  
16      during which 7,500,000,000 gallons of ethanol  
17      (including cellulosic ethanol) have been pro-  
18      duced in or imported into the United States, as  
19      certified by the Secretary, in consultation with  
20      the Administrator of the Environmental Protec-  
21      tion Agency.”.

22          (b) EXCISE TAX CREDIT.—

23           (1) IN GENERAL.—Paragraph (2) of section  
24      6426(b) (relating to alcohol fuel mixture credit) is  
25      amended by adding at the end the following new  
26      subparagraph:

1                   “(C) REDUCED AMOUNT AFTER SALE OF  
2                   7,500,000,000 GALLONS.—In the case of any alco-  
3                   hol fuel mixture produced in a calendar year be-  
4                   ginning after the calendar year described in sec-  
5                   tion 40(h)(3)(B), subparagraph (A) shall be ap-  
6                   plied by substituting ‘46 cents’ for ‘51 cents’.”.

7                   (2) CONFORMING AMENDMENT.—Subparagraph  
8                   (A) of section 6426(b)(2) is amended by striking  
9                   “subparagraph (B)” and inserting “subparagraphs  
10                  (B) and (C)”.

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

14   **SEC. 1524. EXTENSION AND MODIFICATION OF CREDITS**  
15                   **FOR BIODIESEL AND RENEWABLE DIESEL.**

16                  (a) IN GENERAL.—Sections 40A(g), 6426(c)(6), and  
17                  6427(e)(5)(B) are each amended by striking “December  
18                  31, 2008” and inserting “December 31, 2010”.

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

22                   (1) by striking “using a thermal  
23                   depolymerization process”, and

24                   (2) by striking “or D396” in subparagraph (B)  
25                   and inserting “or other equivalent standard ap-

1       proved by the Secretary for fuels to be used in die-  
2       sel-powered highway vehicles”.

3       (c) ELIGIBILITY OF CERTAIN AVIATION FUEL.—  
4 Paragraph (3) of section 40A(f) (defining renewable die-  
5 sel) is amended by adding at the end the following new  
6 flush sentence:

7       “The term ‘renewable diesel’ also means fuel derived  
8       from biomass which meets the requirements of a De-  
9       partment of Defense specification for military jet  
10      fuel or an American Society of Testing and Mate-  
11      rials specification for aviation turbine fuel.”.

12      (d) EFFECTIVE DATE.—

13           (1) IN GENERAL.—Except as provided in para-  
14      graph (2), the amendments made by this section  
15      shall apply to fuel produced, and sold or used, after  
16      the date of the enactment of this Act.

17           (2) UNIFORM TREATMENT OF DIESEL PRO-  
18      DUCED FROM BIOMASS.—The amendments made by  
19      subsection (b) shall apply to fuel produced, and sold  
20      or used, after the date which is 30 days after the  
21      date of the enactment of this Act.

22 **SEC. 1525. CLARIFICATION OF ELIGIBILITY FOR RENEW-**  
23 **ABLE DIESEL CREDIT.**

24      (a) COPRODUCTION WITH PETROLEUM FEED-  
25 STOCK.—



1           (1) IN GENERAL.—Paragraph (3) of section  
2       40A(f) (defining renewable diesel), as amended by  
3       this Act, is amended by adding at the end the fol-  
4       lowing sentence: “Such term does not include any  
5       fuel derived from coprocessing biomass with a feed-  
6       stock which is not biomass. For purposes of this  
7       paragraph, the term ‘biomass’ has the meaning  
8       given such term by section 45K(c)(3).”

9           (2) CONFORMING AMENDMENT.—Paragraph (3)  
10      of section 40A(f) is amended by striking “(as de-  
11      fined in section 45K(c)(3))”.

12      (b) CLARIFICATION OF ELIGIBILITY FOR ALTER-  
13      NATIVE FUEL CREDIT.—

14           (1) IN GENERAL.—Subparagraph (F) of section  
15      6426(d)(2) is amended by striking “hydrocarbons”  
16      and inserting “fuel”.

17           (2) CONFORMING AMENDMENT.—Section 6426  
18      is amended by adding at the end the following new  
19      subsection:

20      “(h) DENIAL OF DOUBLE BENEFIT.—No credit shall  
21      be determined under subsection (d) or (e) with respect to  
22      any fuel with respect to which credit may be determined  
23      under subsection (b) or (c) or under section 40 or 40A.”.

24      (c) EFFECTIVE DATE.—

1           (1) IN GENERAL.—Except as provided in para-  
2       graph (2), the amendments made by this section  
3       shall apply to fuel produced, and sold or used, after  
4       December 31, 2007.

5           (2) CLARIFICATION OF ELIGIBILITY FOR AL-  
6       TERNATIVE FUEL CREDIT.—The amendment made  
7       by subsection (b) shall take effect as if included in  
8       section 11113 of the Safe, Accountable, Flexible, Ef-  
9       ficient Transportation Equity Act: A Legacy for  
10      Users.

11   **SEC. 1526. PROVISIONS CLARIFYING TREATMENT OF FUELS**  
12                           **WITH NO NEXUS TO THE UNITED STATES.**

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

16           “(6) LIMITATION TO ALCOHOL WITH CONNEC-  
17       TION TO THE UNITED STATES.—No credit shall be  
18       determined under this section with respect to any al-  
19       cohol which is produced outside the United States  
20       for use as a fuel outside the United States. For pur-  
21       poses of this paragraph, the term ‘United States’ in-  
22       cludes any possession of the United States.”.

23       (b) BIODIESEL FUELS CREDIT.—Subsection (d) of  
24       section 40A is amended by adding at the end the following  
25       new paragraph:

1           “(5) LIMITATION TO BIODIESEL WITH CONNEC-  
2           TION TO THE UNITED STATES.—No credit shall be  
3           determined under this section with respect to any  
4           biodiesel which is produced outside the United  
5           States for use as a fuel outside the United States.  
6           For purposes of this paragraph, the term ‘United  
7           States’ includes any possession of the United  
8           States.”.

9           (c) EXCISE TAX CREDIT.—

10           (1) IN GENERAL.—Section 6426, as amended  
11           by this Act, is amended by adding at the end the fol-  
12           lowing new subsection:

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

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

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

24           For purposes of this subsection, the term ‘United States’  
25           includes any possession of the United States.”.

1           (2) CONFORMING AMENDMENT.—Subsection (e)  
2       of section 6427 is amended by redesignating para-  
3       graph (5) as paragraph (6) and by inserting after  
4       paragraph (4) the following new paragraph:

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

11      (d) EFFECTIVE DATE.—

12           (1) IN GENERAL.—Except as otherwise pro-  
13      vided in this subsection, the amendments made by  
14      this section shall take effect as if included in section  
15      301 of the American Jobs Creation Act of 2004.

16           (2) ALTERNATIVE FUEL CREDITS.—So much of  
17      the amendments made by this section as relate to  
18      the alternative fuel credit or the alternative fuel mix-  
19      ture credit shall take effect as if included in section  
20      11113 of the Safe, Accountable, Flexible, Efficient  
21      Transportation Equity Act: A Legacy for Users.

22           (3) RENEWABLE DIESEL.—So much of the  
23      amendments made by this section as relate to renew-  
24      able diesel shall take effect as if included in section  
25      1346 of the Energy Policy Act of 2005.

1 **SEC. 1527. COMPREHENSIVE STUDY OF BIOFUELS.**

2 (a) STUDY.—The Secretary of the Treasury, in con-  
3 sultation with the Secretary of Agriculture, the Secretary  
4 of Energy, and the Administrator of the Environmental  
5 Protection Agency, shall enter into an agreement with the  
6 National Academy of Sciences to produce an analysis of  
7 current scientific findings to determine—

8 (1) current biofuels production, as well as pro-  
9 jections for future production,

10 (2) the maximum amount of biofuels production  
11 capable on United States farmland,

12 (3) the domestic effects of a dramatic increase  
13 in biofuels production on, for example—

14 (A) the price of fuel,

15 (B) the price of land in rural and subur-  
16 ban communities,

17 (C) crop acreage and other land use,

18 (D) the environment, due to changes in  
19 crop acreage, fertilizer use, runoff, water use,  
20 emissions from vehicles utilizing biofuels, and  
21 other factors,

22 (E) the price of feed,

23 (F) the selling price of grain crops,

24 (G) exports and imports of grains,

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

- 1 (I) the expansion of refinery capacity,  
2 (4) the ability to convert corn ethanol plants for  
3 other uses, such as cellulosic ethanol or biodiesel,  
4 (5) a comparative analysis of corn ethanol  
5 versus other biofuels and renewable energy sources,  
6 considering cost, energy output, and ease of imple-  
7 mentation, and  
8 (6) the need for additional scientific inquiry,  
9 and specific areas of interest for future research.

10 (b) REPORT.—The National Academy of Sciences  
11 shall submit an initial report of the findings of the report  
12 required under subsection (a) to the Congress not later  
13 than 3 months after the date of the enactment of this Act,  
14 and a final report not later than 6 months after such date  
15 of enactment.

16 **PART II—ADVANCED TECHNOLOGY MOTOR**  
17 **VEHICLES**

18 **SEC. 1528. CREDIT FOR NEW QUALIFIED PLUG-IN ELECTRIC**  
19 **DRIVE MOTOR VEHICLES.**

20 (a) IN GENERAL.—Subpart B of part IV of sub-  
21 chapter A of chapter 1 (relating to other credits) is  
22 amended by adding at the end the following new section:

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

3           “(a) ALLOWANCE OF CREDIT.—There shall be al-  
4   lowed as a credit against the tax imposed by this chapter  
5   for the taxable year an amount equal to the sum of the  
6   credit amounts determined under subsection (b) with re-  
7   spect to each new qualified plug-in electric drive motor ve-  
8   hicle placed in service by the taxpayer during the taxable  
9   year.

10          “(b) PER VEHICLE DOLLAR LIMITATION.—

11               “(1) IN GENERAL.—The amount determined  
12   under this subsection with respect to any new quali-  
13   fied plug-in electric drive motor vehicle is the sum  
14   of the amounts determined under paragraphs (2)  
15   and (3) with respect to such vehicle.

16               “(2) BASE AMOUNT.—The amount determined  
17   under this paragraph is \$3,000.

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

25          “(c) APPLICATION WITH OTHER CREDITS.—

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

9           “(2) PERSONAL CREDIT.—

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

16           “(B) LIMITATION BASED ON AMOUNT OF  
17       TAX.—In the case of a taxable year to which  
18       section 26(a)(2) does not apply, the credit al-  
19       lowed under subsection (a) for any taxable year  
20       (determined after application of paragraph (1))  
21       shall not exceed the excess of—

22           “(i) the sum of the regular tax liabil-  
23       ity (as defined in section 26(b)) plus the  
24       tax imposed by section 55, over



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

5 “(d) NEW QUALIFIED PLUG-IN ELECTRIC DRIVE  
6 MOTOR VEHICLE.—For purposes of this section—

7 “(1) IN GENERAL.—The term ‘new qualified  
8 plug-in electric drive motor vehicle’ means a motor  
9 vehicle (as defined in section 30(c)(2))—

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

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

14 “(C) which is made by a manufacturer,

15 “(D) which has a gross vehicle weight rat-  
16 ing of less than 14,000 pounds,

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

1                   “(F) which is propelled to a significant ex-  
2                   tent by an electric motor which draws electricity  
3                   from a battery which—

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

6                   “(ii) is capable of being recharged  
7                   from an external source of electricity.

8                   “(2) EXCEPTION.—The term ‘new qualified  
9                   plug-in electric drive motor vehicle’ shall not include  
10                  any vehicle which is not a passenger automobile or  
11                  light truck if such vehicle has a gross vehicle weight  
12                  rating of less than 8,500 pounds.

13                  “(3) OTHER TERMS.—The terms ‘passenger  
14                  automobile’, ‘light truck’, and ‘manufacturer’ have  
15                  the meanings given such terms in regulations pre-  
16                  scribed by the Administrator of the Environmental  
17                  Protection Agency for purposes of the administra-  
18                  tion of title II of the Clean Air Act (42 U.S.C. 7521  
19                  et seq.).

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

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

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

9           “(2) PHASEOUT PERIOD.—For purposes of this  
10 subsection, the phaseout period is the period begin-  
11 ning with the second calendar quarter following the  
12 calendar quarter which includes the first date on  
13 which the number of new qualified plug-in electric  
14 drive motor vehicles manufactured by the manufac-  
15 turer of the vehicle referred to in paragraph (1) sold  
16 for use in the United States after the date of the en-  
17 actment of this section, is at least 60,000.

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

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

22           “(B) 25 percent for the 3d and 4th cal-  
23 endar quarters of the phaseout period, and

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

1           “(4) CONTROLLED GROUPS.—Rules similar to  
2           the rules of section 30B(f)(4) shall apply for pur-  
3           poses of this subsection.

4           “(f) SPECIAL RULES.—

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

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

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

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

24          “(5) PROPERTY USED BY TAX-EXEMPT ENTITY;  
25          INTERACTION WITH AIR QUALITY AND MOTOR VEHI-

1 CLE SAFETY STANDARDS.—Rules similar to the rules  
2 of paragraphs (6) and (10) of section 30B(h) shall  
3 apply for purposes of this section.”.

4 (b) COORDINATION WITH ALTERNATIVE MOTOR VE-  
5 HICLE CREDIT.—Section 30B(d)(3) is amended by adding  
6 at the end the following new subparagraph:

7 “(D) EXCLUSION OF PLUG-IN VEHICLES.—  
8 Any vehicle with respect to which a credit is al-  
9 lowable under section 30D (determined without  
10 regard to subsection (c) thereof) shall not be  
11 taken into account under this section.”.

12 (c) CREDIT MADE PART OF GENERAL BUSINESS  
13 CREDIT.—Section 38(b), as amended by this Act, is  
14 amended—

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

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

19 (3) by striking the period at the end of para-  
20 graph (31) and inserting “, plus”, and

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

23 “(32) the portion of the new qualified plug-in  
24 electric drive motor vehicle credit to which section  
25 30D(c)(1) applies.”.

1 (d) CONFORMING AMENDMENTS.—

2 (1)(A) Section 24(b)(3)(B), as amended by this  
3 Act, is amended by striking “and 25D” and insert-  
4 ing “25D, and 30D”.

5 (B) Section 25(e)(1)(C)(ii) is amended by in-  
6 serting “30D,” after “25D,”.

7 (C) Section 25B(g)(2), as amended by this Act,  
8 is amended by striking “and 25D” and inserting “,  
9 25D, and 30D”.

10 (D) Section 26(a)(1), as amended by this Act,  
11 is amended by striking “and 25D” and inserting  
12 “25D, and 30D”.

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

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

20 “(38) to the extent provided in section  
21 30D(f)(1).”.

22 (3) Section 6501(m) is amended by inserting  
23 “30D(f)(4),” after “30C(e)(5),”.

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

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

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

6           (1) IN GENERAL.—Paragraph (2) of section  
7           30B(g) is amended to read as follows:

8           “(2) PERSONAL CREDIT.—The credit allowed  
9           under subsection (a) for any taxable year (after ap-  
10          plication of paragraph (1)) shall be treated as a  
11          credit allowable under subpart A for such taxable  
12          year.”.

13          (2) CONFORMING AMENDMENTS.—

14                (A) Subparagraph (A) of section 30C(d)(2)  
15                is amended by striking “sections 27, 30, and  
16                30B” and inserting “sections 27 and 30”.

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

19          (f) EFFECTIVE DATE.—

20                (1) IN GENERAL.—Except as otherwise pro-  
21                vided in this subsection, the amendments made by  
22                this section shall apply to taxable years beginning  
23                after December 31, 2007.

24                (2) TREATMENT OF ALTERNATIVE MOTOR VE-  
25                HICLE CREDIT AS PERSONAL CREDIT.—The amend-

1       ments made by subsection (e) shall apply to taxable  
2       years beginning after December 31, 2006.

3       (g) APPLICATION OF EGTRRA SUNSET.—The  
4       amendment made by subsection (d)(1)(A) shall be subject  
5       to title IX of the Economic Growth and Tax Relief Rec-  
6       onciliation Act of 2001 in the same manner as the provi-  
7       sion of such Act to which such amendment relates.

8       **SEC. 1529. EXCLUSION FROM HEAVY TRUCK TAX FOR**  
9                   **IDLING REDUCTION UNITS AND ADVANCED**  
10                  **INSULATION.**

11       (a) IN GENERAL.—Section 4053 (relating to exemp-  
12       tions) is amended by adding at the end the following new  
13       paragraphs:

14               “(9) IDLING REDUCTION DEVICE.—Any device  
15       or system of devices which—

16               “(A) is designed to provide to a vehicle  
17       those services (such as heat, air conditioning, or  
18       electricity) that would otherwise require the op-  
19       eration of the main drive engine while the vehi-  
20       cle is temporarily parked or remains stationary  
21       using either—

22               “(i) an all electric unit, such as a bat-  
23       tery powered unit or from grid-supplied  
24       electricity, or



1                   “(ii) a dual fuel unit powered by die-  
2                   sel or other fuels, and capable of providing  
3                   such services from grid-supplied electricity  
4                   or on-truck batteries alone, and

5                   “(B) is certified by the Secretary of En-  
6                   ergy, in consultation with the Administrator of  
7                   the Environmental Protection Agency and the  
8                   Secretary of Transportation, to reduce long-du-  
9                   ration idling of such vehicle at a motor vehicle  
10                  rest stop or other location where such vehicles  
11                  are temporarily parked or remain stationary.

12               For purposes of subparagraph (B), the term ‘long-  
13               duration idling’ means the operation of a main drive  
14               engine, for a period greater than 15 consecutive  
15               minutes, where the main drive engine is not engaged  
16               in gear. Such term does not apply to routine stop-  
17               pages associated with traffic movement or conges-  
18               tion.

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

21               (b) EFFECTIVE DATE.—The amendment made by  
22               this section shall apply to sales or installations after De-  
23               cember 31, 2007.

1 **PART III—OTHER TRANSPORTATION PROVISIONS**

2 **SEC. 1530. RESTRUCTURING OF NEW YORK LIBERTY ZONE**

3 **TAX CREDITS.**

4 (a) IN GENERAL.—Part I of subchapter Y of chapter  
5 1 is amended by redesignating section 1400L as section  
6 1400K and by adding at the end the following new section:

7 **“SEC. 1400L. NEW YORK LIBERTY ZONE TAX CREDITS.**

8 “(a) IN GENERAL.—In the case of a New York Lib-  
9 erty Zone governmental unit, there shall be allowed as a  
10 credit against any taxes imposed for any payroll period  
11 by section 3402 for which such governmental unit is liable  
12 under section 3403 an amount equal to so much of the  
13 portion of the qualifying project expenditure amount allo-  
14 cated under subsection (b)(3) to such governmental unit  
15 for the calendar year as is allocated by such governmental  
16 unit to such period under subsection (b)(4).

17 “(b) QUALIFYING PROJECT EXPENDITURE  
18 AMOUNT.—For purposes of this section—

19 “(1) IN GENERAL.—The term ‘qualifying  
20 project expenditure amount’ means, with respect to  
21 any calendar year, the sum of—

22 “(A) the total expenditures paid or in-  
23 curred during such calendar year by all New  
24 York Liberty Zone governmental units and the  
25 Port Authority of New York and New Jersey  
26 for any portion of qualifying projects located

1 wholly within the City of New York, New York,  
2 and

3 “(B) any such expenditures—

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

7 “(ii) not previously allocated under  
8 paragraph (3).

9 “(2) QUALIFYING PROJECT.—The term ‘quali-  
10 fying project’ means any transportation infrastruc-  
11 ture project, including highways, mass transit sys-  
12 tems, railroads, airports, ports, and waterways, in or  
13 connecting with the New York Liberty Zone (as de-  
14 fined in section 1400K(h)), which is designated as a  
15 qualifying project under this section jointly by the  
16 Governor of the State of New York and the Mayor  
17 of the City of New York, New York.

18 “(3) GENERAL ALLOCATION.—

19 “(A) IN GENERAL.—The Governor of the  
20 State of New York and the Mayor of the City  
21 of New York, New York, shall jointly allocate to  
22 each New York Liberty Zone governmental unit  
23 the portion of the qualifying project expenditure  
24 amount which may be taken into account by

1           such governmental unit under subsection (a) for  
2           any calendar year in the credit period.

3           “(B) AGGREGATE LIMIT.—The aggregate  
4           amount which may be allocated under subpara-  
5           graph (A) for all calendar years in the credit  
6           period shall not exceed \$2,000,000,000.

7           “(C) ANNUAL LIMIT.—The aggregate  
8           amount which may be allocated under subpara-  
9           graph (A) for any calendar year in the credit  
10          period shall not exceed the sum of—

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

14                 “(ii) the aggregate amount authorized  
15                 to be allocated under this paragraph for all  
16                 preceding calendar years in the credit pe-  
17                 riod which was not so allocated.

18          “(D) UNALLOCATED AMOUNTS AT END OF  
19          CREDIT PERIOD.—If, as of the close of the cred-  
20          it period, the amount under subparagraph (B)  
21          exceeds the aggregate amount allocated under  
22          subparagraph (A) for all calendar years in the  
23          credit period, the Governor of the State of New  
24          York and the Mayor of the City of New York,  
25          New York, may jointly allocate to New York

1 Liberty Zone governmental units for any cal-  
2 endar year in the 5-year period following the  
3 credit period an amount equal to—

4 “(i) the lesser of—

5 “(I) such excess, or

6 “(II) the qualifying project ex-  
7 penditure amount for such calendar  
8 year, reduced by

9 “(ii) the aggregate amount allocated  
10 under this subparagraph for all preceding  
11 calendar years.

12 “(4) ALLOCATION TO PAYROLL PERIODS.—

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

19 “(c) CARRYOVER OF UNUSED ALLOCATIONS.—

20 “(1) IN GENERAL.—Except as provided in para-  
21 graph (2), if the amount allocated under subsection  
22 (b)(3) to a New York Liberty Zone governmental  
23 unit for any calendar year exceeds the aggregate  
24 taxes imposed by section 3402 for which such gov-  
25 ernmental unit is liable under section 3403 for peri-

1       ods beginning in such year, such excess shall be car-  
2       ried to the succeeding calendar year and added to  
3       the allocation of such governmental unit for such  
4       succeeding calendar year.

5           “(2) REALLOCATION.—If a New York Liberty  
6       Zone governmental unit does not use an amount al-  
7       located to it under subsection (b)(3) within the time  
8       prescribed by the Governor of the State of New York  
9       and the Mayor of the City of New York, New York,  
10      then such amount shall after such time be treated  
11      for purposes of subsection (b)(3) in the same man-  
12      ner as if it had never been allocated.

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

15           “(1) CREDIT PERIOD.—The term ‘credit period’  
16      means the 12-year period beginning on January 1,  
17      2008.

18           “(2) NEW YORK LIBERTY ZONE GOVERN-  
19      MENTAL UNIT.—The term ‘New York Liberty Zone  
20      governmental unit’ means—

21                   “(A) the State of New York,

22                   “(B) the City of New York, New York, and

23                   “(C) any agency or instrumentality of such  
24      State or City.

1           “(3) TREATMENT OF FUNDS.—Any expenditure  
2           for a qualifying project taken into account for pur-  
3           poses of the credit under this section shall be consid-  
4           ered State and local funds for the purpose of any  
5           Federal program.

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

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

19                 “(1) which certifies—

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

22                         “(B) the amount allocated to each New  
23                         York Liberty Zone governmental unit under  
24                         subsection (b)(3) for the calendar year, and

1           “(2) includes such other information as the  
2       Secretary may require to carry out this section.

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

6       (b) TERMINATION OF SPECIAL ALLOWANCE AND EX-  
7       PENSING.—Subparagraph (A) of section 1400K(b)(2), as  
8       redesignated by subsection (a), is amended by striking the  
9       parenthetical therein and inserting “(in the case of non-  
10      residential real property and residential rental property,  
11      the date of the enactment of the Clean Renewable Energy  
12      and Conservation Tax Act of 2007 or, if acquired pursu-  
13      ant to a binding contract in effect on such enactment date,  
14      December 31, 2009)”.

15      (c) CONFORMING AMENDMENTS.—

16           (1) Section 38(c)(3)(B) is amended by striking  
17      “section 1400L(a)” and inserting “section  
18      1400K(a)”.

19           (2) Section 168(k)(2)(D)(ii) is amended by  
20      striking “section 1400L(c)(2)” and inserting “sec-  
21      tion 1400K(c)(2)”.

22           (3) The table of sections for part I of sub-  
23      chapter Y of chapter 1 is amended by redesignating  
24      the item relating to section 1400L as an item relat-



1 ing to section 1400K and by inserting after such  
2 item the following new item:

“Sec. 1400L. New York Liberty Zone tax credits.”.

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

6 **SEC. 1531. EXTENSION OF TRANSPORTATION FRINGE BEN-**  
7 **EFIT TO BICYCLE COMMUTERS.**

8 (a) IN GENERAL.—Paragraph (1) of section 132(f)  
9 of the Internal Revenue Code of 1986 (relating to general  
10 rule for qualified transportation fringe) is amended by  
11 adding at the end the following:

12 “(D) Any qualified bicycle commuting re-  
13 imbursement.”.

14 (b) LIMITATION ON EXCLUSION.—Paragraph (2) of  
15 section 132(f) of such Code is amended by striking “and”  
16 at the end of subparagraph (A), by striking the period  
17 at the end of subparagraph (B) and inserting “, and”,  
18 and by adding at the end the following new subparagraph:

19 “(C) the applicable annual limitation in  
20 the case of any qualified bicycle commuting re-  
21 imbursement.”.

22 (c) DEFINITIONS.—Paragraph (5) of section 132(f)  
23 of such Code (relating to definitions) is amended by add-  
24 ing at the end the following:

1                   “(F) DEFINITIONS RELATED TO BICYCLE  
2                   COMMUTING REIMBURSEMENT.—

3                   “(i) QUALIFIED BICYCLE COMMUTING  
4                   REIMBURSEMENT.—The term ‘qualified bi-  
5                   cycle commuting reimbursement’ means,  
6                   with respect to any calendar year, any em-  
7                   ployer reimbursement during the 15-month  
8                   period beginning with the first day of such  
9                   calendar year for reasonable expenses in-  
10                  curred by the employee during such cal-  
11                  endar year for the purchase of a bicycle  
12                  and bicycle improvements, repair, and stor-  
13                  age, if such bicycle is regularly used for  
14                  travel between the employee’s residence  
15                  and place of employment.

16                  “(ii) APPLICABLE ANNUAL LIMITA-  
17                  TION.—The term ‘applicable annual limita-  
18                  tion’ means, with respect to any employee  
19                  for any calendar year, the product of \$20  
20                  multiplied by the number of qualified bicy-  
21                  cle commuting months during such year.

22                  “(iii) QUALIFIED BICYCLE COM-  
23                  MUTING MONTH.—The term ‘qualified bi-  
24                  cycle commuting month’ means, with re-

1                   spect to any employee, any month during  
2                   which such employee—

3                   “(I) regularly uses the bicycle for  
4                   a substantial portion of the travel be-  
5                   tween the employee’s residence and  
6                   place of employment, and

7                   “(II) does not receive any benefit  
8                   described in subparagraph (A), (B),  
9                   or (C) of paragraph (1).”.

10       (d) CONSTRUCTIVE RECEIPT OF BENEFIT.—Para-  
11 graph (4) of section 132(f) is amended by inserting  
12 “(other than a qualified bicycle commuting reimburse-  
13 ment)” after “qualified transportation fringe”.

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

## 17       **Subtitle C—Energy Conservation** 18                   **and Efficiency**

### 19       **PART I—CONSERVATION TAX CREDIT BONDS**

#### 20       **SEC. 1541. QUALIFIED ENERGY CONSERVATION BONDS.**

21       (a) IN GENERAL.—Subpart I of part IV of sub-  
22 chapter A of chapter 1, as added by this title, is amended  
23 by adding at the end the following new section:

1   **“SEC. 54C. QUALIFIED ENERGY CONSERVATION BONDS.**

2       **“(a) QUALIFIED ENERGY CONSERVATION BOND.—**

3   For purposes of this subchapter, the term ‘qualified en-  
4   ergy conservation bond’ means any bond issued as part  
5   of an issue if—

6           “(1) 100 percent of the available project pro-  
7       ceeds of such issue are to be used for one or more  
8       qualified conservation purposes,

9           “(2) the bond is issued by a State or local gov-  
10      ernment, and

11          “(3) the issuer designates such bond for pur-  
12      poses of this section.

13       **“(b) LIMITATION ON AMOUNT OF BONDS DES-**  
14   **IGNATED.—**The maximum aggregate face amount of  
15   bonds which may be designated under subsection (a) by  
16   any issuer shall not exceed the limitation amount allocated  
17   to such issuer under subsection (d).

18       **“(c) NATIONAL LIMITATION ON AMOUNT OF BONDS**  
19   **DESIGNATED.—**There is a national qualified energy con-  
20   servation bond limitation of \$3,000,000,000.

21       **“(d) ALLOCATIONS.—**

22           “(1) **IN GENERAL.—**The limitation applicable  
23      under subsection (c) shall be allocated by the Sec-  
24      retary among the States in proportion to the popu-  
25      lation of the States.

1           “(2) ALLOCATIONS TO LARGEST LOCAL GOV-  
2       ERNMENTS.—

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

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

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

22          “(3) ALLOCATION TO ISSUERS; RESTRICTION  
23      ON PRIVATE ACTIVITY BONDS.—Any allocation  
24      under this subsection to a State or large local gov-  
25      ernment shall be allocated by such State or large

1       local government to issuers within the State in a  
2       manner that results in not less than 70 percent of  
3       the allocation to such State or large local govern-  
4       ment being used to designate bonds which are not  
5       private activity bonds.

6       “(e) QUALIFIED CONSERVATION PURPOSE.—For  
7       purposes of this section—

8               “(1) IN GENERAL.—The term ‘qualified con-  
9       servation purpose’ means any of the following:

10               “(A) Capital expenditures incurred for  
11       purposes of—

12               “(i) reducing energy consumption in  
13       publicly-owned buildings by at least 20  
14       percent,

15               “(ii) implementing green community  
16       programs, or

17               “(iii) rural development involving the  
18       production of electricity from renewable  
19       energy resources.

20               “(B) Expenditures with respect to research  
21       facilities, and research grants, to support re-  
22       search in—

23               “(i) development of cellulosic ethanol  
24       or other nonfossil fuels,

1 “(ii) technologies for the capture and  
2 sequestration of carbon dioxide produced  
3 through the use of fossil fuels,

4 “(iii) increasing the efficiency of exist-  
5 ing technologies for producing nonfossil  
6 fuels,

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

10 “(v) technologies to reduce energy use  
11 in buildings.

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

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

18 “(i) green building technology,

19 “(ii) conversion of agricultural waste  
20 for use in the production of fuel or other-  
21 wise,

22 “(iii) advanced battery manufacturing  
23 technologies,

24 “(iv) technologies to reduce peak use  
25 of electricity, or

1 “(v) technologies for the capture and  
2 sequestration of carbon dioxide emitted  
3 from combusting fossil fuels in order to  
4 produce electricity.

5 “(E) Public education campaigns to pro-  
6 mote energy efficiency.

7 “(2) SPECIAL RULES FOR PRIVATE ACTIVITY  
8 BONDS.—For purposes of this section, in the case of  
9 any private activity bond, the term ‘qualified con-  
10 servation purposes’ shall not include any expenditure  
11 which is not a capital expenditure.

12 “(f) POPULATION.—

13 “(1) IN GENERAL.—The population of any  
14 State or local government shall be determined for  
15 purposes of this section as provided in section 146(j)  
16 for the calendar year which includes the date of the  
17 enactment of this section.

18 “(2) SPECIAL RULE FOR COUNTIES.—In deter-  
19 mining the population of any county for purposes of  
20 this section, any population of such county which is  
21 taken into account in determining the population of  
22 any municipality which is a large local government  
23 shall not be taken into account in determining the  
24 population of such county.



1       “(g) APPLICATION TO INDIAN TRIBAL GOVERN-  
2 MENTS.—An Indian tribal government shall be treated for  
3 purposes of this section in the same manner as a large  
4 local government, except that—

5           “(1) an Indian tribal government shall be treat-  
6 ed for purposes of subsection (d) as located within  
7 a State to the extent of so much of the population  
8 of such government as resides within such State,  
9 and

10          “(2) any bond issued by an Indian tribal gov-  
11 ernment shall be treated as a qualified energy con-  
12 servation bond only if issued as part of an issue the  
13 available project proceeds of which are used for pur-  
14 poses for which such Indian tribal government could  
15 issue bonds to which section 103(a) applies.”.

16 (b) CONFORMING AMENDMENTS.—

17          (1) Paragraph (1) of section 54A(d), as added  
18 by this title, is amended to read as follows:

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

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

23               “(B) a qualified energy conservation bond,  
24 which is part of an issue that meets requirements of  
25 paragraphs (2), (3), (4), and (5).”.

1           (2) Subparagraph (C) of section 54A(d)(2), as  
2       added by this title, is amended to read as follows:

3           “(C) QUALIFIED PURPOSE.—For purposes  
4       of this paragraph, the term ‘qualified purpose’  
5       means—

6           “(i) in the case of a new clean renew-  
7       able energy bond, a purpose specified in  
8       section 54B(a)(1), and

9           “(ii) in the case of a qualified energy  
10      conservation bond, a purpose specified in  
11      section 54C(a)(1).”.

12          (3) The table of sections for subpart I of part  
13      IV of subchapter A of chapter 1, as amended by this  
14      title, is amended by adding at the end the following  
15      new item:

“Sec. 54C. Qualified energy conservation bonds.”.

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

19      **SEC. 1542. QUALIFIED FORESTRY CONSERVATION BONDS.**

20          (a) IN GENERAL.—Subpart I of part IV of sub-  
21      chapter A of chapter 1, as added by this title, is amended  
22      by adding at the end the following new section:

23      **“SEC. 54D. QUALIFIED FORESTRY CONSERVATION BONDS.**

24          “(a) QUALIFIED FORESTRY CONSERVATION BOND.—  
25      For purposes of this subchapter, the term ‘qualified for-

1    estry conservation bond’ means any bond issued as part  
2    of an issue if—

3               “(1) 100 percent of the available proceeds of  
4               such issue are to be used for one or more qualified  
5               forestry conservation projects,

6               “(2) the bond is issued by a qualified issuer,  
7               and

8               “(3) the issuer designates such bond for pur-  
9               poses of this section.

10       “(b) LIMITATION ON AMOUNT OF BONDS DES-  
11    IGNATED.—The maximum aggregate face amount of  
12    bonds which may be designated under subsection (a) by  
13    any issuer shall not exceed the limitation amount allocated  
14    to such issuer under subsection (d).

15       “(c) NATIONAL LIMITATION ON AMOUNT OF BONDS  
16    DESIGNATED.—There is a national qualified forestry con-  
17    servation bond limitation of \$500,000,000.

18       “(d) ALLOCATIONS.—

19               “(1) IN GENERAL.—The Secretary shall make  
20               allocations of the amount of the national qualified  
21               forestry conservation bond limitation described in  
22               subsection (c) among qualified forestry conservation  
23               projects in such manner as the Secretary determines  
24               appropriate so as to ensure that all of such limita-

1       tion is allocated before the date which is 24 months  
2       after the date of the enactment of this section.

3           “(2) SOLICITATION OF APPLICATIONS.—The  
4       Secretary shall solicit applications for allocations of  
5       the national qualified forestry conservation bond lim-  
6       itation described in subsection (c) not later than 90  
7       days after the date of the enactment of this section.

8           “(e) QUALIFIED FORESTRY CONSERVATION  
9       PROJECT.—For purposes of this section, the term ‘quali-  
10      fied forestry conservation project’ means the acquisition  
11      by a State or 501(c)(3) organization (as defined in section  
12      150(a)(4)) from an unrelated person of forest and forest  
13      land that meets the following qualifications:

14           “(1) Some portion of the land acquired must be  
15      adjacent to United States Forest Service Land.

16           “(2) At least half of the land acquired must be  
17      transferred to the United States Forest Service at  
18      no net cost to the United States and not more than  
19      half of the land acquired may either remain with or  
20      be donated to a State.

21           “(3) All of the land must be subject to a native  
22      fish habitat conservation plan approved by the  
23      United States Fish and Wildlife Service.

24           “(4) The amount of acreage acquired must be  
25      at least 40,000 acres.

1       “(f) QUALIFIED ISSUER.—For purposes of this sec-  
2 tion, the term ‘qualified issuer’ means a State or 501(c)(3)  
3 organization (as defined in section 150(a)(4)).

4       “(g) SPECIAL ARBITRAGE RULE.—In the case of any  
5 qualified forestry conservation bond issued as part of an  
6 issue, section 54A(d)(4)(C) shall be applied to such issue  
7 without regard to clause (i).”.

8       (b) CONFORMING AMENDMENTS.—

9               (1) Paragraph (1) of section 54A(d), as added  
10 by this title, is amended to read as follows:

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

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

14                       “(B) a qualified energy conservation bond,

15                       or

16                       “(C) a qualified forestry conservation  
17 bond,

18 which is part of an issue that meets requirements of  
19 paragraphs (2), (3), (4), and (5).”.

20               (2) Subparagraph (C) of section 54A(d)(2), as  
21 added by this title, is amended to read as follows:

22               “(C) QUALIFIED PURPOSE.—For purposes  
23 of this paragraph, the term ‘qualified purpose’  
24 means—

1 “(i) in the case of a new clean renew-  
2 able energy bond, a purpose specified in  
3 section 54B(a)(1),

4 “(ii) in the case of a qualified energy  
5 conservation bond, a purpose specified in  
6 section 54C(a)(1), and

7 “(iii) in the case of a qualified for-  
8 estry conservation bond, a purpose speci-  
9 fied in section 54D(a)(1).”.

10 (3) The table of sections for subpart I of part  
11 IV of subchapter A of chapter 1, as amended by this  
12 title, is amended by adding at the end the following  
13 new item:

“Sec. 54C. Qualified forestry conservation bonds.”.

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

## 17 **PART II—EFFICIENCY**

### 18 **SEC. 1543. EXTENSION AND MODIFICATION OF ENERGY EF-** 19 **FICIENT EXISTING HOMES CREDIT.**

20 (a) EXTENSION OF CREDIT.—Section 25C(g) (relat-  
21 ing to termination) is amended by striking “December 31,  
22 2007” and inserting “December 31, 2008”.

23 (b) QUALIFIED BIOMASS FUEL PROPERTY.—

24 (1) IN GENERAL.—Section 25C(d)(3) is amend-  
25 ed—

1 (A) by striking “and” at the end of sub-  
2 paragraph (D),

3 (B) by striking the period at the end of  
4 subparagraph (E) and inserting “, and”, and

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

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

13 (2) BIOMASS FUEL.—Section 25C(d) (relating  
14 to residential energy property expenditures) is  
15 amended by adding at the end the following new  
16 paragraph:

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

23 (c) EFFECTIVE DATE.—The amendments made this  
24 section shall apply to expenditures made after December  
25 31, 2007.

1   **SEC. 1544. EXTENSION AND MODIFICATION OF ENERGY EF-**  
2                   **FICIENT COMMERCIAL BUILDINGS DEDUC-**  
3                   **TION.**

4           Subsection (h) of section 179D (relating to termi-  
5   nation) is amended by striking “December 31, 2008” and  
6   inserting “December 31, 2013”.

7   **SEC. 1545. MODIFICATIONS OF ENERGY EFFICIENT APPLI-**  
8                   **ANCE CREDIT FOR APPLIANCES PRODUCED**  
9                   **AFTER 2007.**

10          (a) IN GENERAL.—Subsection (b) of section 45M (re-  
11   lating to applicable amount) is amended to read as follows:

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

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

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

20                   “(B) \$75 in the case of a dishwasher  
21                   which is manufactured in calendar year 2008,  
22                   2009, or 2010 and which uses no more than  
23                   307 kilowatt hours per year and 5.0 gallons per  
24                   cycle (5.5 gallons per cycle for dishwashers de-  
25                   signed for greater than 12 place settings).



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

3                   “(A) \$75 in the case of a residential top-  
4           loading clothes washer manufactured in cal-  
5           endar year 2008 which meets or exceeds a 1.72  
6           modified energy factor and does not exceed a  
7           8.0 water consumption factor,

8                   “(B) \$125 in the case of a residential top-  
9           loading clothes washer manufactured in cal-  
10          endar year 2008 or 2009 which meets or ex-  
11          ceeds a 1.8 modified energy factor and does not  
12          exceed a 7.5 water consumption factor,

13                   “(C) \$150 in the case of a residential or  
14          commercial clothes washer manufactured in cal-  
15          endar year 2008, 2009 or 2010 which meets or  
16          exceeds 2.0 modified energy factor and does not  
17          exceed a 6.0 water consumption factor, and

18                   “(D) \$250 in the case of a residential or  
19          commercial clothes washer manufactured in cal-  
20          endar year 2008, 2009, or 2010 which meets or  
21          exceeds 2.2 modified energy factor and does not  
22          exceed a 4.5 water consumption factor.

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

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

6           “(B) \$75 in the case of a refrigerator  
7           which is manufactured in calendar year 2008 or  
8           2009, and consumes at least 23 percent but no  
9           more than 24.9 percent less kilowatt hours per  
10          year than the 2001 energy conservation stand-  
11          ards,

12          “(C) \$100 in the case of a refrigerator  
13          which is manufactured in calendar year 2008,  
14          2009, or 2010, and consumes at least 25 per-  
15          cent but not more than 29.9 percent less kilo-  
16          watt hours per year than the 2001 energy con-  
17          servation standards, and

18          “(D) \$200 in the case of a refrigerator  
19          manufactured in calendar year 2008, 2009, or  
20          2010 and which consumes at least 30 percent  
21          less energy than the 2001 energy conservation  
22          standards.”.

23       (b) ELIGIBLE PRODUCTION.—

1           (1) SIMILAR TREATMENT FOR ALL APPLI-  
2           ANCES.—Subsection (c) of section 45M (relating to  
3           eligible production) is amended—

4                   (A) by striking paragraph (2),

5                   (B) by striking “(1) IN GENERAL” and all  
6           that follows through “the eligible” and inserting  
7           “The eligible”, and

8                   (C) by moving the text of such subsection  
9           in line with the subsection heading and redesign-  
10          nating subparagraphs (A) and (B) as para-  
11          graphs (1) and (2), respectively.

12          (2) MODIFICATION OF BASE PERIOD.—Para-  
13          graph (2) of section 45M(c), as amended by para-  
14          graph (1) of this section, is amended by striking “3-  
15          calendar year” and inserting “2-calendar year”.

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

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

22                   “(1) dishwashers described in subsection (b)(1),

23                   “(2) clothes washers described in subsection  
24          (b)(2), and

1           “(3) refrigerators described in subsection  
2           (b)(3).”

3           (d) AGGREGATE CREDIT AMOUNT ALLOWED.—

4           (1) INCREASE IN LIMIT.—Paragraph (1) of sec-  
5           tion 45M(e) (relating to aggregate credit amount al-  
6           lowed) is amended to read as follows:

7           “(1) AGGREGATE CREDIT AMOUNT ALLOWED.—  
8           The aggregate amount of credit allowed under sub-  
9           section (a) with respect to a taxpayer for any tax-  
10          able year shall not exceed \$75,000,000 reduced by  
11          the amount of the credit allowed under subsection  
12          (a) to the taxpayer (or any predecessor) for all prior  
13          taxable years beginning after December 31, 2007.”.

14          (2) EXCEPTION FOR CERTAIN REFRIGERATOR  
15          AND CLOTHES WASHERS.—Paragraph (2) of section  
16          45M(e) is amended to read as follows:

17          “(2) AMOUNT ALLOWED FOR CERTAIN REFRIG-  
18          ERATORS AND CLOTHES WASHERS.—Refrigerators  
19          described in subsection (b)(3)(D) and clothes wash-  
20          ers described in subsection (b)(2)(D) shall not be  
21          taken into account under paragraph (1).”.

22          (e) QUALIFIED ENERGY EFFICIENT APPLIANCES.—

23          (1) IN GENERAL.—Paragraph (1) of section  
24          45M(f) (defining qualified energy efficient appliance)  
25          is amended to read as follows:

1           “(1) QUALIFIED ENERGY EFFICIENT APPLI-  
2           ANCE.—The term ‘qualified energy efficient appli-  
3           ance’ means—

4                   “(A) any dishwasher described in sub-  
5                   section (b)(1),

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

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

10           (2) CLOTHES WASHER.—Section 45M(f)(3) (de-  
11           fining clothes washer) is amended by inserting  
12           “commercial” before “residential” the second place  
13           it appears.

14           (3) TOP-LOADING CLOTHES WASHER.—Sub-  
15           section (f) of section 45M (relating to definitions) is  
16           amended by redesignating paragraphs (4), (5), (6),  
17           and (7) as paragraphs (5), (6), (7), and (8), respec-  
18           tively, and by inserting after paragraph (3) the fol-  
19           lowing new paragraph:

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

1           (4) REPLACEMENT OF ENERGY FACTOR.—Sec-  
2           tion 45M(f)(7), as redesignated by paragraph (3), is  
3           amended to read as follows:

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

9           (5) GALLONS PER CYCLE; WATER CONSUMP-  
10          TION FACTOR.—Section 45M(f) (relating to defini-  
11          tions) is amended by adding at the end the fol-  
12          lowing:

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

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

22          (f) EFFECTIVE DATE.—The amendments made by  
23          this section shall apply to appliances produced after De-  
24          cember 31, 2007.

1   **SEC. 1546. SEVEN-YEAR APPLICABLE RECOVERY PERIOD**  
2                   **FOR DEPRECIATION OF QUALIFIED ENERGY**  
3                   **MANAGEMENT DEVICES.**

4           (a) IN GENERAL.—Section 168(e)(3)(C) (relating to  
5   7-year property), as amended by this Act, is amended by  
6   striking “and” at the end of clause (v), by redesignating  
7   clause (vi) as clause (vii), and by inserting after clause  
8   (v) the following new clause:

9                   “(vi) any qualified energy manage-  
10                  ment device, and”.

11          (b) DEFINITION OF QUALIFIED ENERGY MANAGE-  
12   MENT DEVICE.—Section 168(i) (relating to definitions  
13   and special rules) is amended by inserting at the end the  
14   following new paragraph:

15                  “(18) QUALIFIED ENERGY MANAGEMENT DE-  
16   VICE.—

17                  “(A) IN GENERAL.—The term ‘qualified  
18                  energy management device’ means any energy  
19                  management device which is installed on real  
20                  property of a customer of the taxpayer and is  
21                  placed in service by a taxpayer who—

22                          “(i) is a supplier of electric energy or  
23                          a provider of electric energy services, and

24                          “(ii) provides all commercial and resi-  
25                          dential customers of such supplier or pro-

1 vider with net metering upon the request  
2 of such customer.

3 “(B) ENERGY MANAGEMENT DEVICE.—  
4 For purposes of subparagraph (A), the term  
5 ‘energy management device’ means any time-  
6 based meter and related communication equip-  
7 ment which is capable of being used by the tax-  
8 payer as part of a system that—

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

13 “(ii) provides for the exchange of in-  
14 formation between supplier or provider and  
15 the customer’s energy management device  
16 in support of time-based rates or other  
17 forms of demand response, and

18 “(iii) provides data to such supplier or  
19 provider so that the supplier or provider  
20 can provide energy usage information to  
21 customers electronically.

22 “(C) NET METERING.—For purposes of  
23 subparagraph (A), the term ‘net metering’  
24 means allowing customers a credit for providing  
25 electricity to the supplier or provider.”.



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

## 4 **Subtitle D—Other Provisions**

### 5 **PART I—FORESTRY PROVISIONS**

#### 6 **SEC. 1551. DEDUCTION FOR QUALIFIED TIMBER GAIN.**

7 (a) IN GENERAL.—Part I of subchapter P of chapter  
8 1 is amended by adding at the end the following new sec-  
9 tion:

#### 10 **“SEC. 1203. DEDUCTION FOR QUALIFIED TIMBER GAIN.**

11 “(a) IN GENERAL.—In the case of a taxpayer which  
12 elects the application of this section for a taxable year,  
13 there shall be allowed a deduction against gross income  
14 in an amount equal to 60 percent of the lesser of—

15 “(1) the taxpayer’s qualified timber gain for  
16 such year, or

17 “(2) the taxpayer’s net capital gain for such  
18 year.

19 “(b) QUALIFIED TIMBER GAIN.—For purposes of  
20 this section, the term ‘qualified timber gain’ means, with  
21 respect to any taxpayer for any taxable year, the excess  
22 (if any) of—

23 “(1) the sum of the taxpayer’s gains described  
24 in subsections (a) and (b) of section 631 for such  
25 year, over

1           “(2) the sum of the taxpayer’s losses described  
2           in such subsections for such year.

3           “(c) SPECIAL RULES FOR PASS-THRU ENTITIES.—

4           “(1) In the case of any qualified timber gain of  
5           a pass-thru entity (as defined in section 1(h)(10))  
6           other than a real estate investment trust, the elec-  
7           tion under this section shall be made separately by  
8           each taxpayer subject to tax on such gain.

9           “(2) In the case of any qualified timber gain of  
10          a real estate investment trust, the election under  
11          this section shall be made by the real estate invest-  
12          ment trust.

13          “(d) ELECTION.—An election under this section may  
14          be made only with respect to the first taxable year begin-  
15          ning after the date of the enactment of this section.”.

16          (b) COORDINATION WITH MAXIMUM CAPITAL GAINS  
17          RATES.—

18                 (1) TAXPAYERS OTHER THAN CORPORA-  
19                 TIONS.—Paragraph (2) of section 1(h) is amended  
20                 to read as follows:

21                 “(2) REDUCTION OF NET CAPITAL GAIN.—For  
22                 purposes of this subsection, the net capital gain for  
23                 any taxable year shall be reduced (but not below  
24                 zero) by the sum of—

1           “(A) the amount which the taxpayer takes  
2           into account as investment income under sec-  
3           tion 163(d)(4)(B)(iii), and

4           “(B) in the case of a taxable year with re-  
5           spect to which an election is in effect under sec-  
6           tion 1203, the taxpayer’s qualified timber gain  
7           (as defined in section 1203(b)).”.

8           (2) CORPORATIONS.—Section 1201 is amended  
9           by redesignating subsection (b) as subsection (c) and  
10          inserting after subsection (a) the following new sub-  
11          section:

12          “(b) QUALIFIED TIMBER GAIN NOT TAKEN INTO  
13          ACCOUNT.—For purposes of this section, in the case of  
14          a corporation with respect to which an election is in effect  
15          under section 1203, the net capital gain for any taxable  
16          year shall be reduced (but not below zero) by the corpora-  
17          tion’s qualified timber gain (as defined in section  
18          1203(b)).”.

19          (c) DEDUCTION ALLOWED WHETHER OR NOT INDIV-  
20          IDUAL ITEMIZES OTHER DEDUCTIONS.—Subsection (a)  
21          of section 62 is amended by inserting before the last sen-  
22          tence the following new paragraph:

23                 “(22) QUALIFIED TIMBER GAINS.—The deduc-  
24          tion allowed by section 1203.”.

1 (d) DEDUCTION ALLOWED IN COMPUTING AD-  
2 JUSTED CURRENT EARNINGS.—Subparagraph (C) of sec-  
3 tion 56(g)(4) is amended by adding at the end the fol-  
4 lowing new clause:

5 “(vii) DEDUCTION FOR QUALIFIED  
6 TIMBER GAIN.—Clause (i) shall not apply  
7 to any deduction allowed under section  
8 1203.”.

9 (e) DEDUCTION ALLOWED IN COMPUTING TAXABLE  
10 INCOME OF ELECTING SMALL BUSINESS TRUSTS.—Sub-  
11 paragraph (C) of section 641(c)(2) is amended by insert-  
12 ing after clause (iv) the following new clause:

13 “(v) The deduction allowed under sec-  
14 tion 1203.”.

15 (f) TREATMENT OF QUALIFIED TIMBER GAIN OF  
16 REAL ESTATE INVESTMENT TRUSTS.—Paragraph (3) of  
17 section 857(b) is amended by inserting after subparagraph  
18 (F) the following new subparagraph:

19 “(G) TREATMENT OF QUALIFIED TIMBER  
20 GAIN.—For purposes of this part, in the case of  
21 a real estate investment trust with respect to  
22 which an election is in effect under section  
23 1203—

24 “(i) REDUCTION OF NET CAPITAL  
25 GAIN.—The net capital gain of the real es-

1           tate investment trust for any taxable year  
2           shall be reduced (but not below zero) by  
3           the real estate investment trust's qualified  
4           timber gain (as defined in section  
5           1203(b)).

6           “(ii)   ADJUSTMENT   TO   SHARE-  
7           HOLDER'S BASIS ATTRIBUTABLE TO DE-  
8           DUCTION   FOR   QUALIFIED   TIMBER  
9           GAINS.—

10           “(I) IN GENERAL.—The adjusted  
11           basis of shares in the hands of the  
12           shareholder shall be increased by the  
13           amount of the deduction allowable  
14           under section 1203(a) as provided in  
15           subclauses (II) and (III).

16           “(II) ALLOCATION OF BASIS IN-  
17           CREASE FOR DISTRIBUTIONS MADE  
18           DURING TAXABLE YEAR.—For any  
19           taxable year of a real estate invest-  
20           ment trust for which an election is in  
21           effect under section 1203, in the case  
22           of a distribution made with respect to  
23           shares during such taxable year of  
24           amounts attributable to the deduction  
25           allowable under section 1203(a), the

1 adjusted basis of such shares shall be  
2 increased by the amount of such dis-  
3 tributions.

4 “(III) ALLOCATION OF EX-  
5 CESS.—If the deduction allowable  
6 under section 1203(a) for a taxable  
7 year exceeds the amount of distribu-  
8 tions described in subclause (II), the  
9 excess shall be allocated to every  
10 shareholder of the real estate invest-  
11 ment trust at the close of the trust’s  
12 taxable year in the same manner as if  
13 a distribution of such excess were  
14 made with respect to such shares.

15 “(IV) DESIGNATIONS.—To the  
16 extent provided in regulations, a real  
17 estate investment trust shall designate  
18 the amounts described in subclauses  
19 (II) and (III) in a manner similar to  
20 the designations provided with respect  
21 to capital gains described in subpara-  
22 graphs (C) and (D).

23 “(V) DEFINITIONS.—As used in  
24 this subparagraph, the terms ‘share’  
25 and ‘shareholder’ shall include bene-

1                    ficial interests and holders of bene-  
2                    ficial interests, respectively.

3                    “(iii) EARNINGS AND PROFITS DEDUC-  
4                    TION FOR QUALIFIED TIMBER GAINS.—The  
5                    deduction allowable under section 1203(a)  
6                    for a taxable year shall be allowed as a de-  
7                    duction in computing the earnings and  
8                    profits of the real estate investment trust  
9                    for such taxable year. The earnings and  
10                  profits of any such shareholder which is a  
11                  corporation shall be appropriately adjusted  
12                  in accordance with regulations prescribed  
13                  by the Secretary.”.

14                  (g) LOSS ATTRIBUTABLE TO BASIS ADJUSTMENT  
15                  FOR DEDUCTION FOR QUALIFIED TIMBER GAIN OF REAL  
16                  ESTATE INVESTMENT TRUSTS.—

17                  (1) Section 857(b)(8) is amended by redesign-  
18                  nating subparagraphs (B) and (C) as subparagraphs  
19                  (C) and (D), respectively, and by inserting after sub-  
20                  paragraph (A) the following new subparagraph:

21                  “(B) LOSS ATTRIBUTABLE TO BASIS AD-  
22                  JUSTMENT FOR DEDUCTION FOR QUALIFIED  
23                  TIMBER GAIN.—If—

24                  “(i) a shareholder of a real estate in-  
25                  vestment trust receives a basis adjustment

1 provided under subsection (b)(3)(G)(ii),  
2 and  
3 “(ii) the taxpayer has held such share  
4 or interest for 6 months or less,  
5 then any loss on the sale or exchange of such  
6 share or interest shall, to the extent of the  
7 amount described in clause (i), be disallowed.”.

8 (2) Subparagraph (D) of section 857(b)(8), as  
9 redesignated by paragraph (1), is amended by strik-  
10 ing “subparagraph (A)” and inserting “subpara-  
11 graphs (A) and (B)”.

12 (h) CONFORMING AMENDMENTS.—

13 (1) Subparagraph (B) of section 172(d)(2) is  
14 amended to read as follows:

15 “(B) the exclusion under section 1202, and  
16 the deduction under section 1203, shall not be  
17 allowed.”.

18 (2) Paragraph (4) of section 642(c) is amended  
19 by striking the first sentence and inserting “To the  
20 extent that the amount otherwise allowable as a de-  
21 duction under this subsection consists of gain de-  
22 scribed in section 1202(a) or qualified timber gain  
23 (as defined in section 1203(b)), proper adjustment  
24 shall be made for any exclusion allowable to the es-  
25 tate or trust under section 1202 and for any deduc-



1       tion allowable to the estate or trust under section  
2       1203.”

3           (3) Paragraph (3) of section 643(a) is amended  
4       by striking the last sentence and inserting “The ex-  
5       clusion under section 1202 and the deduction under  
6       section 1203 shall not be taken into account.”.

7           (4) Subparagraph (C) of section 643(a)(6) is  
8       amended to read as follows:

9           “(C) Paragraph (3) shall not apply to a  
10       foreign trust. In the case of such a trust—

11           “(i) there shall be included gains from  
12       the sale or exchange of capital assets, re-  
13       duced by losses from such sales or ex-  
14       changes to the extent such losses do not  
15       exceed gains from such sales or exchanges,  
16       and

17           “(ii) the deduction under section 1203  
18       shall not be taken into account.”.

19           (5) Paragraph (4) of section 691(c) is amended  
20       by inserting “1203,” after “1202,”.

21           (6) Paragraph (2) of section 871(a) is amended  
22       by inserting “or 1203,” after “1202,”.

23           (7) The table of sections for part I of sub-  
24       chapter P of chapter 1 is amended by adding at the  
25       end the following new item:

“Sec. 1203. Deduction for qualified timber gain.”.

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

4 **SEC. 1552. EXCISE TAX NOT APPLICABLE TO SECTION 1203**  
5 **DEDUCTION OF REAL ESTATE INVESTMENT**  
6 **TRUSTS.**

7 (a) IN GENERAL.—

8 (1) ORDINARY INCOME.—Subparagraph (B) of  
9 section 4981(e)(1) is amended to read as follows:

10 “(B) by not taking into account—

11 “(i) any gain or loss from the sale or  
12 exchange of capital assets (determined  
13 without regard to any reduction that would  
14 be applied for purposes of section  
15 857(b)(3)(G)(i)), and

16 “(ii) any deduction allowable under  
17 section 1203, and”.

18 (2) CAPITAL GAIN NET INCOME.—Section  
19 4981(e)(2) is amended by adding at the end the fol-  
20 lowing new subparagraph:

21 “(D) QUALIFIED TIMBER GAIN.—The  
22 amount determined under subparagraph (A)  
23 shall be determined without regard to any re-  
24 duction that would be applied for purposes of  
25 section 857(b)(3)(G)(i) but shall be reduced for

1           any deduction allowable under section 1203 for  
2           such calendar year.”.

3           (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 the date of the enactment of this Act.

6 **SEC. 1553. TIMBER REIT MODERNIZATION.**

7           (a) IN GENERAL.—Section 856(c)(5) is amended by  
8 adding after subparagraph (G) the following new subpara-  
9 graph:

10                   “(H) TREATMENT OF TIMBER GAINS.—

11                           “(i) IN GENERAL.—Gain from the sale  
12 of real property described in paragraph  
13 (2)(D) and (3)(C) shall include gain which  
14 is—

15                                   “(I) recognized by an election  
16 under section 631(a) from timber  
17 owned by the real estate investment  
18 trust, the cutting of which is provided  
19 by a taxable REIT subsidiary of the  
20 real estate investment trust;

21                                   “(II) recognized under section  
22 631(b); or

23                                   “(III) income which would con-  
24 stitute gain under subclause (I) or

1 (II) but for the failure to meet the 1-  
2 year holding period requirement.

3 “(ii) SPECIAL RULES.—

4 “(I) For purposes of this subtitle,  
5 cut timber, the gain of which is recog-  
6 nized by a real estate investment trust  
7 pursuant to an election under section  
8 631(a) described in clause (i)(I) or so  
9 much of clause (i)(III) as relates to  
10 clause (i)(I), shall be deemed to be  
11 sold to the taxable REIT subsidiary of  
12 the real estate investment trust on the  
13 first day of the taxable year.

14 “(II) For purposes of this sub-  
15 title, income described in this sub-  
16 paragraph shall not be treated as gain  
17 from the sale of property described in  
18 section 1221(a)(1).

19 “(iii) TERMINATION.—This subpara-  
20 graph shall not apply to dispositions after  
21 the termination date.”.

22 (b) TERMINATION DATE.—Subsection (c) of section  
23 856 is amended by adding at the end the following new  
24 paragraph:

1           “(8) TERMINATION DATE.—For purposes of  
2           this subsection, the term ‘termination date’ means  
3           the last day of the first taxable year beginning after  
4           the date of the enactment of this paragraph.”.

5           (c) EFFECTIVE DATE.—The amendments made by  
6           subsection (a) shall apply to dispositions in taxable years  
7           beginning after the date of the enactment of this Act.

8   **SEC. 1554. MINERAL ROYALTY INCOME QUALIFYING IN-**  
9                           **COME FOR TIMBER REITS.**

10          (a) IN GENERAL.—Section 856(c)(2) is amended by  
11          striking “and” at the end of subparagraph (G), by insert-  
12          ing “and” at the end of subparagraph (H), and by adding  
13          after subparagraph (H) the following new subparagraph:

14                       “(I) mineral royalty income earned in the  
15                       first taxable year beginning after the date of  
16                       the enactment of this subparagraph from real  
17                       property owned by a timber real estate invest-  
18                       ment trust held, or once held, in connection  
19                       with the trade or business of producing timber  
20                       by such real estate investment trust;”.

21          (b) TIMBER REAL ESTATE INVESTMENT TRUST.—  
22          Section 856(c)(5), as amended by this Act, is amended  
23          by adding after subparagraph (H) the following new sub-  
24          paragraph:

1                   “(I) TIMBER REAL ESTATE INVESTMENT  
2                   TRUST.—The term ‘timber real estate invest-  
3                   ment trust’ means a real estate investment  
4                   trust in which more than 50 percent in value of  
5                   its total assets consists of real property held in  
6                   connection with the trade or business of pro-  
7                   ducing timber.”.

8                   (c) EFFECTIVE DATE.—The amendments by this sec-  
9                   tion shall apply to taxable years beginning after the date  
10                  of the enactment of this Act.

11   **SEC. 1555. MODIFICATION OF TAXABLE REIT SUBSIDIARY**  
12                   **ASSET TEST FOR TIMBER REITS.**

13                  (a) IN GENERAL.—Section 856(c)(4)(B)(ii) is  
14                  amended by inserting “(in the case of a quarter which  
15                  closes on or before the termination date, 25 percent in  
16                  the case of a timber real estate investment trust)” after  
17                  “not more than 20 percent of the value of its total assets  
18                  is represented by securities of one or more taxable REIT  
19                  subsidiaries”.

20                  (b) EFFECTIVE DATE.—The amendment made by  
21                  this section shall apply to taxable years beginning after  
22                  the date of the enactment of this Act.

1   **SEC. 1556. SAFE HARBOR FOR TIMBER PROPERTY.**

2           (a) IN GENERAL.—Section 857(b)(6) (relating to in-  
3 come from prohibited transactions) is amended by adding  
4 at the end the following new subparagraph:

5                   “(G) SPECIAL RULES FOR SALES TO  
6 QUALIFIED ORGANIZATIONS.—

7                   “(i) IN GENERAL.—In the case of sale  
8 of a real estate asset (as defined in section  
9 856(c)(5)(B)) to a qualified organization  
10 (as defined in section 170(h)(3)) exclu-  
11 sively for conservation purposes (within the  
12 meaning of section 170(h)(1)(C)), subpara-  
13 graph (D) shall be applied—

14                           “(I) by substituting ‘2 years’ for  
15 ‘4 years’ in clause (i), and

16                           “(II) by substituting ‘2-year pe-  
17 riod’ for ‘4-year period’ in clauses (ii)  
18 and (iii).

19                   “(ii) TERMINATION.—This subpara-  
20 graph shall not apply to sales after the ter-  
21 mination date.”.

22           (b) PROHIBITED TRANSACTIONS.—Section  
23 857(b)(6)(D)(v) is amended by inserting “or, in the case  
24 of a sale on or before the termination date, a taxable  
25 REIT subsidiary” after “independent contractor (as de-

1    fined in section 856(d)(3)) from whom the trust itself does  
2    not derive or receive any income”.

3           (c) SALES THAT ARE NOT PROHIBITED TRANS-  
4    ACTIONS.—Section 857(b)(6), as amended by subsection  
5    (a), is amended by adding at the end the following new  
6    subparagraph:

7                   “(H) SALES OF PROPERTY THAT ARE NOT  
8                   A PROHIBITED TRANSACTION.—In the case of a  
9                   sale on or before the termination date, the sale  
10                  of property which is not a prohibited trans-  
11                  action through application of subparagraph (D)  
12                  shall be considered property held for investment  
13                  or for use in a trade or business and not prop-  
14                  erty described in section 1221(a)(1) for all pur-  
15                  poses of this subtitle.”.

16          (d) TERMINATION DATE.—Section 857(b)(6), as  
17    amended by subsections (a) and (c), is amended by adding  
18    at the end the following new subparagraph:

19                   “(I) TERMINATION DATE.—For purposes  
20                   of this paragraph, the term ‘termination date’  
21                   means the last day of the first taxable year be-  
22                   ginning after the date of the enactment of this  
23                   subparagraph.”.



1 (e) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to dispositions in taxable years be-  
3 ginning after the date of the enactment of this Act.

4 **PART II—EXXON VALDEZ**

5 **SEC. 1557. INCOME AVERAGING FOR AMOUNTS RECEIVED**  
6 **IN CONNECTION WITH THE EXXON VALDEZ**  
7 **LITIGATION.**

8 (a) INCOME AVERAGING OF AMOUNTS RECEIVED  
9 FROM THE EXXON VALDEZ LITIGATION.—For purposes  
10 of section 1301 of the Internal Revenue Code of 1986—

11 (1) any qualified taxpayer who receives any  
12 qualified settlement income in any taxable year shall  
13 be treated as engaged in a fishing business (deter-  
14 mined without regard to the commercial nature of  
15 the business), and

16 (2) such qualified settlement income shall be  
17 treated as income attributable to such a fishing busi-  
18 ness for such taxable year.

19 (b) CONTRIBUTIONS OF AMOUNTS RECEIVED TO RE-  
20 TIREMENT ACCOUNTS.—

21 (1) IN GENERAL.—Any qualified taxpayer who  
22 receives qualified settlement income during the tax-  
23 able year may, at any time before the end of the tax-  
24 able year in which such income was received, make  
25 one or more contributions to an eligible retirement

1 plan of which such qualified taxpayer is a bene-  
2 ficiary in an aggregate amount not to exceed the  
3 lesser of—

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

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

11 (2) TIME WHEN CONTRIBUTIONS DEEMED  
12 MADE.—For purposes of paragraph (1), a qualified  
13 taxpayer shall be deemed to have made a contribu-  
14 tion to an eligible retirement plan on the last day of  
15 the taxable year in which such income is received if  
16 the contribution is made on account of such taxable  
17 year and is made not later than the time prescribed  
18 by law for filing the return for such taxable year  
19 (not including extensions thereof).

20 (3) TREATMENT OF CONTRIBUTIONS TO ELIGI-  
21 BLE RETIREMENT PLANS.—For purposes of the In-  
22 ternal Revenue Code of 1986, if a contribution is  
23 made pursuant to paragraph (1) with respect to  
24 qualified settlement income, then—

25 (A) except as provided in paragraph (4)—

1 (i) to the extent of such contribution,  
2 the qualified settlement income shall not  
3 be included in taxable income, and

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

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

10 (i) as having received the qualified  
11 settlement income—

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

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

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

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

5 (D) section 408A(c)(3)(B) of the Internal  
6 Revenue Code of 1986 shall not apply with re-  
7 spect to amounts contributed to a Roth IRA (as  
8 defined under section 408A(b) of such Code) or  
9 a designated Roth contribution to an applicable  
10 retirement plan (within the meaning of section  
11 402A of such Code) under this paragraph.

12 (4) SPECIAL RULE FOR ROTH IRAS AND ROTH  
13 401(k)s.—For purposes of the Internal Revenue  
14 Code of 1986, if a contribution is made pursuant to  
15 paragraph (1) with respect to qualified settlement  
16 income to a Roth IRA (as defined under section  
17 408A(b) of such Code) or as a designated Roth con-  
18 tribution to an applicable retirement plan (within  
19 the meaning of section 402A of such Code), then—

20 (A) the qualified settlement income shall  
21 be includible in taxable income, and

22 (B) for purposes of section 72 of such  
23 Code, such contribution shall be considered to  
24 be investment in the contract.

1           (5) ELIGIBLE RETIREMENT PLAN.—For pur-  
2       pose of this subsection, the term “eligible retirement  
3       plan” has the meaning given such term under sec-  
4       tion 402(c)(8)(B) of the Internal Revenue Code of  
5       1986.

6       (c) TREATMENT OF QUALIFIED SETTLEMENT IN-  
7       COME UNDER EMPLOYMENT TAXES.—

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

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

18      (d) QUALIFIED TAXPAYER.—For purposes of this  
19      section, the term “qualified taxpayer” means—

20          (1) any individual who is a plaintiff in the civil  
21      action *In re Exxon Valdez*, No. 89–095–CV (HRH)  
22      (Consolidated) (D. Alaska); or

23          (2) any individual who is a beneficiary of the  
24      estate of such a plaintiff who—

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

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

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

9 (1) otherwise includible in taxable income, and

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

## 15 **Subtitle E—Revenue Provisions**

16 **SEC. 1561. LIMITATION OF DEDUCTION FOR INCOME AT-**  
17 **TRIBUTABLE TO DOMESTIC PRODUCTION OF**  
18 **OIL, GAS, OR A PRIMARY PRODUCTS THERE-**  
19 **OF.**

20 (a) DENIAL OF DEDUCTION FOR MAJOR INTE-  
21 GRATED OIL COMPANIES FOR INCOME ATTRIBUTABLE TO  
22 DOMESTIC PRODUCTION OF OIL, GAS, OR PRIMARY  
23 PRODUCTS THEREOF.—

24 (1) IN GENERAL.—Subparagraph (B) of section  
25 199(c)(4) (relating to exceptions) is amended by

1 striking “or” at the end of clause (ii), by striking  
2 the period at the end of clause (iii) and inserting “,  
3 or”, and by inserting after clause (iii) the following  
4 new clause:

5 “(iv) in the case of any major inte-  
6 grated oil company (as defined in section  
7 167(h)(5)(B)), the production, refining,  
8 processing, transportation, or distribution  
9 of oil, gas, or any primary product thereof  
10 during any taxable year described in sec-  
11 tion 167(h)(5)(B).”.

12 (2) PRIMARY PRODUCT.—Section 199(c)(4)(B)  
13 is amended by adding at the end the following flush  
14 sentence:

15 “For purposes of clause (iv), the term ‘primary  
16 product’ has the same meaning as when used in  
17 section 927(a)(2)(C), as in effect before its re-  
18 peal.”.

19 (b) LIMITATION ON OIL RELATED QUALIFIED PRO-  
20 Duction ACTIVITIES INCOME FOR TAXPAYERS OTHER  
21 THAN MAJOR INTEGRATED OIL COMPANIES.—

22 (1) IN GENERAL.—Section 199(d) is amended  
23 by redesignating paragraph (9) as paragraph (10)  
24 and by inserting after paragraph (8) the following  
25 new paragraph:

1           “(9) SPECIAL RULE FOR TAXPAYERS WITH OIL  
2       RELATED QUALIFIED PRODUCTION ACTIVITIES IN-  
3       COME.—

4           “(A) IN GENERAL.—If a taxpayer (other  
5       than a major integrated oil company (as defined  
6       in section 167(h)(5)(B))) has oil related quali-  
7       fied production activities income for any taxable  
8       year beginning after 2009, the amount of the  
9       deduction under subsection (a) shall be reduced  
10      by 3 percent of the least of—

11           “(i) the oil related qualified produc-  
12      tion activities income of the taxpayer for  
13      the taxable year,

14           “(ii) the qualified production activities  
15      income of the taxpayer for the taxable  
16      year, or

17           “(iii) taxable income (determined  
18      without regard to this section).

19           “(B) OIL RELATED QUALIFIED PRODUC-  
20      TION ACTIVITIES INCOME.—The term ‘oil re-  
21      lated qualified production activities income’  
22      means for any taxable year the qualified pro-  
23      duction activities income which is attributable  
24      to the production, refining, processing, trans-  
25      portation, or distribution of oil, gas, or any pri-



1           mary product thereof during such taxable  
2           year.”.

3           (2) CONFORMING AMENDMENT.—Section  
4           199(d)(2) (relating to application to individuals) is  
5           amended by striking “subsection (a)(1)(B)” and in-  
6           serting “subsections (a)(1)(B) and (d)(9)(A)(iii)”.

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

10 **SEC. 1562. ELIMINATION OF THE DIFFERENT TREATMENT**  
11 **OF FOREIGN OIL AND GAS EXTRACTION IN-**  
12 **COME AND FOREIGN OIL RELATED INCOME**  
13 **FOR PURPOSES OF THE FOREIGN TAX CRED-**  
14 **IT.**

15           (a) IN GENERAL.—Subsections (a) and (b) of section  
16           907 (relating to special rules in case of foreign oil and  
17           gas income) are amended to read as follows:

18           “(a) REDUCTION IN AMOUNT ALLOWED AS FOREIGN  
19           TAX UNDER SECTION 901.—In applying section 901, the  
20           amount of any foreign oil and gas taxes paid or accrued  
21           (or deemed to have been paid) during the taxable year  
22           which would (but for this subsection) be taken into ac-  
23           count for purposes of section 901 shall be reduced by the  
24           amount (if any) by which the amount of such taxes ex-  
25           ceeds the product of—

1 “(1) the amount of the combined foreign oil  
2 and gas income for the taxable year,

3 “(2) multiplied by—

4 “(A) in the case of a corporation, the per-  
5 centage which is equal to the highest rate of tax  
6 specified under section 11(b), or

7 “(B) in the case of an individual, a frac-  
8 tion the numerator of which is the tax against  
9 which the credit under section 901(a) is taken  
10 and the denominator of which is the taxpayer’s  
11 entire taxable income.

12 “(b) COMBINED FOREIGN OIL AND GAS INCOME;  
13 FOREIGN OIL AND GAS TAXES.—For purposes of this sec-  
14 tion—

15 “(1) COMBINED FOREIGN OIL AND GAS IN-  
16 COME.—The term ‘combined foreign oil and gas in-  
17 come’ means, with respect to any taxable year, the  
18 sum of—

19 “(A) foreign oil and gas extraction income,  
20 and

21 “(B) foreign oil related income.

22 “(2) FOREIGN OIL AND GAS TAXES.—The term  
23 ‘foreign oil and gas taxes’ means, with respect to  
24 any taxable year, the sum of—

25 “(A) oil and gas extraction taxes, and

1           “(B) any income, war profits, and excess  
2           profits taxes paid or accrued (or deemed to  
3           have been paid or accrued under section 902 or  
4           960) during the taxable year with respect to  
5           foreign oil related income (determined without  
6           regard to subsection (c)(4)) or loss which would  
7           be taken into account for purposes of section  
8           901 without regard to this section.”.

9           (b) RECAPTURE OF FOREIGN OIL AND GAS  
10          LOSSES.—Paragraph (4) of section 907(c) (relating to re-  
11          capture of foreign oil and gas extraction losses by re-  
12          characterizing later extraction income) is amended to read  
13          as follows:

14               “(4) RECAPTURE OF FOREIGN OIL AND GAS  
15          LOSSES BY RECHARACTERIZING LATER COMBINED  
16          FOREIGN OIL AND GAS INCOME.—

17               “(A) IN GENERAL.—The combined foreign  
18          oil and gas income of a taxpayer for a taxable  
19          year (determined without regard to this para-  
20          graph) shall be reduced—

21                       “(i) first by the amount determined  
22                       under subparagraph (B), and

23                       “(ii) then by the amount determined  
24                       under subparagraph (C).

1           The aggregate amount of such reductions shall  
2           be treated as income (from sources without the  
3           United States) which is not combined foreign  
4           oil and gas income.

5 “(B) REDUCTION FOR PRE-2008 FOREIGN  
6 OIL EXTRACTION LOSSES.—The reduction  
7 under this paragraph shall be equal to the less-  
8 er of—

9 “(i) the foreign oil and gas extraction  
10 income of the taxpayer for the taxable year  
11 (determined without regard to this para-  
12 graph), or

13 “(ii) the excess of—

14 “(I) the aggregate amount of for-  
15 eign oil extraction losses for preceding  
16 taxable years beginning after Decem-  
17 ber 31, 1982, and before January 1,  
18 2008, over

19 “(II) so much of such aggregate  
20 amount as was recharacterized under  
21 this paragraph (as in effect before  
22 and after the date of the enactment of  
23 the Clean Renewable Energy and  
24 Conservation Tax Act of 2007) for

1 preceding taxable years beginning  
2 after December 31, 1982.

3 “(C) REDUCTION FOR POST-2007 FOREIGN  
4 OIL AND GAS LOSSES.—The reduction under  
5 this paragraph shall be equal to the lesser of—

6 “(i) the combined foreign oil and gas  
7 income of the taxpayer for the taxable year  
8 (determined without regard to this para-  
9 graph), reduced by an amount equal to the  
10 reduction under subparagraph (A) for the  
11 taxable year, or

12 “(ii) the excess of—

13 “(I) the aggregate amount of for-  
14 eign oil and gas losses for preceding  
15 taxable years beginning after Decem-  
16 ber 31, 2007, over

17 “(II) so much of such aggregate  
18 amount as was recharacterized under  
19 this paragraph for preceding taxable  
20 years beginning after December 31,  
21 2007.

22 “(D) FOREIGN OIL AND GAS LOSS DE-  
23 FINED.—

1                   “(i) IN GENERAL.—For purposes of  
2                   this paragraph, the term ‘foreign oil and  
3                   gas loss’ means the amount by which—

4                               “(I) the gross income for the tax-  
5                               able year from sources without the  
6                               United States and its possessions  
7                               (whether or not the taxpayer chooses  
8                               the benefits of this subpart for such  
9                               taxable year) taken into account in  
10                              determining the combined foreign oil  
11                              and gas income for such year, is ex-  
12                              ceeded by

13                             “(II) the sum of the deductions  
14                             properly apportioned or allocated  
15                             thereto.

16                   “(ii) NET OPERATING LOSS DEDUC-  
17                   TION NOT TAKEN INTO ACCOUNT.—For  
18                   purposes of clause (i), the net operating  
19                   loss deduction allowable for the taxable  
20                   year under section 172(a) shall not be  
21                   taken into account.

22                   “(iii) EXPROPRIATION AND CASUALTY  
23                   LOSSES NOT TAKEN INTO ACCOUNT.—For  
24                   purposes of clause (i), there shall not be  
25                   taken into account—

1                   “(I) any foreign expropriation  
2                   loss (as defined in section 172(h) (as  
3                   in effect on the day before the date of  
4                   the enactment of the Revenue Rec-  
5                   onciliation Act of 1990)) for the tax-  
6                   able year, or

7                   “(II) any loss for the taxable  
8                   year which arises from fire, storm,  
9                   shipwreck, or other casualty, or from  
10                  theft,

11                  to the extent such loss is not compensated  
12                  for by insurance or otherwise.

13                  “(iv) FOREIGN OIL EXTRACTION  
14                  LOSS.—For purposes of subparagraph  
15                  (B)(ii)(I), foreign oil extraction losses shall  
16                  be determined under this paragraph as in  
17                  effect on the day before the date of the en-  
18                  actment of the Clean Renewable Energy  
19                  and Conservation Tax Act of 2007.”.

20                  (c) CARRYBACK AND CARRYOVER OF DISALLOWED  
21                  CREDITS.—Section 907(f) (relating to carryback and car-  
22                  ryover of disallowed credits) is amended—

23                         (1) by striking “oil and gas extraction taxes”  
24                         each place it appears and inserting “foreign oil and  
25                         gas taxes”, and

1           (2) by adding at the end the following new  
2 paragraph:

3           “(4) TRANSITION RULES FOR PRE-2008 AND  
4 2008 DISALLOWED CREDITS.—

5           “(A) PRE-2008 CREDITS.—In the case of  
6 any unused credit year beginning before Janu-  
7 ary 1, 2008, this subsection shall be applied to  
8 any unused oil and gas extraction taxes carried  
9 from such unused credit year to a year begin-  
10 ning after December 31, 2007—

11           “(i) by substituting ‘oil and gas ex-  
12 traction taxes’ for ‘foreign oil and gas  
13 taxes’ each place it appears in paragraphs  
14 (1), (2), and (3), and

15           “(ii) by computing, for purposes of  
16 paragraph (2)(A), the limitation under  
17 subparagraph (A) for the year to which  
18 such taxes are carried by substituting ‘for-  
19 eign oil and gas extraction income’ for ‘for-  
20 eign oil and gas income’ in subsection (a).

21           “(B) 2008 CREDITS.—In the case of any  
22 unused credit year beginning in 2008, the  
23 amendments made to this subsection by the  
24 Clean Renewable Energy and Conservation Tax  
25 Act of 2007 shall be treated as being in effect



1           for any preceding year beginning before Janu-  
2           ary 1, 2008, solely for purposes of determining  
3           how much of the unused foreign oil and gas  
4           taxes for such unused credit year may be  
5           deemed paid or accrued in such preceding  
6           year.”.

7           (d) CONFORMING AMENDMENT.—Section 6501(i) is  
8           amended by striking “oil and gas extraction taxes” and  
9           inserting “foreign oil and gas taxes”.

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

13   **SEC. 1563. SEVEN-YEAR AMORTIZATION OF GEOLOGICAL**  
14                           **AND GEOPHYSICAL EXPENDITURES FOR CER-**  
15                           **TAIN MAJOR INTEGRATED OIL COMPANIES.**

16          (a) IN GENERAL.—Subparagraph (A) of section  
17          167(h)(5) (relating to special rule for major integrated oil  
18          companies) is amended by striking “5-year” and inserting  
19          “7-year”.

20          (b) EFFECTIVE DATE.—The amendment made by  
21          this section shall apply to amounts paid or incurred after  
22          the date of the enactment of this Act.

23   **SEC. 1564. BROKER REPORTING OF CUSTOMER’S BASIS IN**  
24                           **SECURITIES TRANSACTIONS.**

25          (a) IN GENERAL.—

1           (1) BROKER REPORTING FOR SECURITIES  
2       TRANSACTIONS.—Section 6045 (relating to returns  
3       of brokers) is amended by adding at the end the fol-  
4       lowing new subsection:

5       “(g) ADDITIONAL INFORMATION REQUIRED IN THE  
6       CASE OF SECURITIES TRANSACTIONS.—

7           “(1) IN GENERAL.—If a broker is otherwise re-  
8       quired to make a return under subsection (a) with  
9       respect to the gross proceeds of the sale of a covered  
10      security, the broker shall include in such return the  
11      information described in paragraph (2).

12          “(2) ADDITIONAL INFORMATION REQUIRED.—

13           “(A) IN GENERAL.—The information re-  
14      quired under paragraph (1) to be shown on a  
15      return with respect to a covered security of a  
16      customer shall include the customer’s adjusted  
17      basis in such security and whether any gain or  
18      loss with respect to such security is long-term  
19      or short-term (within the meaning of section  
20      1222).

21           “(B) DETERMINATION OF ADJUSTED  
22      BASIS.—For purposes of subparagraph (A)—

23           “(i) IN GENERAL.—The customer’s  
24      adjusted basis shall be determined—

1 “(I) in the case of any stock  
2 (other than any stock in an open-end  
3 fund), in accordance with the first-in  
4 first-out method unless the customer  
5 notifies the broker by means of mak-  
6 ing an adequate identification of the  
7 stock sold or transferred,

8 “(II) in the case of any stock in  
9 an open-end fund acquired before  
10 January 1, 2011, in accordance with  
11 any acceptable method under section  
12 1012 with respect to the account in  
13 which such interest is held,

14 “(III) in the case of any stock in  
15 an open-end fund acquired after De-  
16 cember 31, 2010, in accordance with  
17 the broker’s default method unless the  
18 customer notifies the broker that he  
19 elects another acceptable method  
20 under section 1012 with respect to the  
21 account in which such interest is held,  
22 and

23 “(IV) in any other case, under  
24 the method for making such deter-  
25 mination under section 1012.

1 “(ii) EXCEPTION FOR WASH SALES.—

2 Except as otherwise provided by the Sec-  
3 retary, the customer’s adjusted basis shall  
4 be determined without regard to section  
5 1091 (relating to loss from wash sales of  
6 stock or securities) unless the transactions  
7 occur in the same account with respect to  
8 identical securities.

9 “(3) COVERED SECURITY.—For purposes of  
10 this subsection—

11 “(A) IN GENERAL.—The term ‘covered se-  
12 curity’ means any specified security acquired on  
13 or after the applicable date if such security—

14 “(i) was acquired through a trans-  
15 action in the account in which such secu-  
16 rity is held, or

17 “(ii) was transferred to such account  
18 from an account in which such security  
19 was a covered security, but only if the  
20 broker received a statement under section  
21 6045A with respect to the transfer.

22 “(B) SPECIFIED SECURITY.—The term  
23 ‘specified security’ means—

24 “(i) any share of stock in a corpora-  
25 tion,

1 “(ii) any note, bond, debenture, or  
2 other evidence of indebtedness,

3 “(iii) any commodity, or contract or  
4 derivative with respect to such commodity,  
5 if the Secretary determines that adjusted  
6 basis reporting is appropriate for purposes  
7 of this subsection, and

8 “(iv) any other financial instrument  
9 with respect to which the Secretary deter-  
10 mines that adjusted basis reporting is ap-  
11 propriate for purposes of this subsection.

12 “(C) APPLICABLE DATE.—The term ‘appli-  
13 cable date’ means—

14 “(i) January 1, 2009, in the case of  
15 any specified security which is stock in a  
16 corporation, and

17 “(ii) January 1, 2011, or such later  
18 date determined by the Secretary in the  
19 case of any other specified security.

20 “(4) OPEN-END FUND.—For purposes of this  
21 subsection, the term ‘open-end fund’ means a regu-  
22 lated investment company (as defined in section  
23 851) which is offering for sale or has outstanding  
24 any redeemable security of which it is the issuer and

1 the shares of which are not traded on an established  
2 securities exchange.

3 “(5) TREATMENT OF S CORPORATIONS.—In the  
4 case of the sale of a covered security acquired by an  
5 S corporation (other than a financial institution)  
6 after December 31, 2010, such S corporation shall  
7 be treated in the same manner as a partnership for  
8 purposes of this section.

9 “(6) SPECIAL RULES FOR SHORT SALES.—

10 “(A) IN GENERAL.—Notwithstanding sub-  
11 section (a), in the case of a short sale under  
12 section 1233, reporting under this section shall  
13 be made for the year in which such sale is  
14 closed.

15 “(B) EXCEPTION FOR CONSTRUCTIVE  
16 SALES.—Subparagraph (A) shall not apply to  
17 any short sale which results in a constructive  
18 sale under section 1259 with respect to prop-  
19 erty held in the account in which the short sale  
20 is entered into.”.

21 (2) BROKER INFORMATION REQUIRED WITH RE-  
22 SPECT TO OPTIONS.—Section 6045, as amended by  
23 subsection (a), is amended by adding at the end the  
24 following new subsection:

25 “(h) APPLICATION TO OPTIONS ON SECURITIES.—

1           “(1) EXERCISE OF OPTION.—For purposes of  
2           this section, in the case of any exercise of an option  
3           on a covered security where the option was granted  
4           or acquired in the same account as the covered secu-  
5           rity, the amount received or paid with respect to  
6           such exercise shall be treated as an adjustment to  
7           gross proceeds or as an adjustment to basis, as the  
8           case may be.

9           “(2) LAPSE OR CLOSING TRANSACTION.—For  
10          purposes of this section, in the case of the lapse (or  
11          closing transaction (as defined in section  
12          1234(b)(2)(A))) of an option on a specified security  
13          where the taxpayer is the grantor of the option, this  
14          section shall apply as if the premium received for  
15          such option were gross proceeds received on the date  
16          of the lapse or closing transaction, and the cost (if  
17          any) of the closing transaction shall be taken into  
18          account as adjusted basis. In the case of an option  
19          on a specified security where the taxpayer is the  
20          grantee of such option, this section shall apply as if  
21          the grantee received gross proceeds of zero on the  
22          date of the lapse.

23          “(3) PROSPECTIVE APPLICATION.—Paragraphs  
24          (1) and (2) shall not apply to any option which is  
25          granted or acquired before January 1, 2011.

1           “(4) DEFINITIONS.—For purposes of this sub-  
2           section, the terms ‘covered security’ and ‘specified  
3           security’ shall have the meanings given such terms  
4           in subsection (g)(3).”.

5           (3) EXTENSION OF PERIOD FOR STATEMENTS  
6           SENT TO CUSTOMERS.—

7           (A) IN GENERAL.—Subsection (b) of sec-  
8           tion 6045 is amended by striking “January 31”  
9           and inserting “February 15 (January 31 in the  
10          case of returns for calendar years before  
11          2010)”.

12          (B) STATEMENTS RELATED TO SUB-  
13          STITUTE PAYMENTS.—Subsection (d) of section  
14          6045 is amended—

15                 (i) by striking “at such time and”,  
16                 and

17                 (ii) by inserting after “other item.”  
18                 the following new sentence: “In the case of  
19                 a payment made during any calendar year  
20                 after 2009, the written statement required  
21                 under the preceding sentence shall be fur-  
22                 nished on or before February 15 of the  
23                 year following the calendar year in which  
24                 the payment was made.”.



1 (C) OTHER STATEMENTS.—Subsection (b)  
2 of section 6045 is amended by adding at the  
3 end the following: “In the case of a consolidated  
4 reporting statement (as defined in regulations)  
5 with respect to any account which includes the  
6 statement required by this subsection, any  
7 statement which would otherwise be required to  
8 be furnished on or before January 31 of a cal-  
9 endar year after 2010 under section 6042(c),  
10 6049(c)(2)(A), or 6050N(b) with respect to any  
11 item in such account shall instead be required  
12 to be furnished on or before February 15 of  
13 such calendar year if furnished as part of such  
14 consolidated reporting statement.”.

15 (b) DETERMINATION OF BASIS OF CERTAIN SECURI-  
16 TIES ON ACCOUNT BY ACCOUNT METHOD.—Section 1012  
17 (relating to basis of property—cost) is amended—

18 (1) by striking “The basis of property” and in-  
19 serting the following:

20 “(a) IN GENERAL.—The basis of property”,

21 (2) by striking “The cost of real property” and  
22 inserting the following:

23 “(b) SPECIAL RULE FOR APPORTIONED REAL ES-  
24 TATE TAXES.—The cost of real property”, and

1           (3) by adding at the end the following new sub-  
2       section:

3       “(c) DETERMINATIONS BY ACCOUNT.—

4           “(1) IN GENERAL.—In the case of the sale, ex-  
5       change, or other disposition of a specified security  
6       on or after the applicable date, the conventions pre-  
7       scribed by regulations under this section shall be ap-  
8       plied on an account by account basis.

9       “(2) APPLICATION TO OPEN-END FUNDS.—

10           “(A) IN GENERAL.—Except as provided in  
11       subparagraph (B), any stock in an open-end  
12       fund acquired before January 1, 2009, shall be  
13       treated as a separate account from any such  
14       stock acquired on or after such date.

15           “(B) ELECTION BY OPEN-END FUND FOR  
16       TREATMENT AS SINGLE ACCOUNT.—If an open-  
17       end fund elects (at such time and in such form  
18       and manner as the Secretary may prescribe) to  
19       have this subparagraph apply with respect to  
20       one or more of its stockholders—

21           “(i) subparagraph (A) shall not apply  
22       with respect to any stock in such fund held  
23       by such stockholders, and

24           “(ii) all stock in such fund which is  
25       held by such stockholders shall be treated

1 as covered securities described in section  
2 6045(g)(3) without regard to the date of  
3 the acquisition of such stock.

4 A rule similar to the rule of the preceding sen-  
5 tence shall apply with respect to a broker hold-  
6 ing stock in an open-end fund as a nominee.

7 “(3) DEFINITIONS.—For purposes of this sec-  
8 tion, the terms ‘specified security’, ‘applicable date’,  
9 and ‘open-end fund’ shall have the meaning given  
10 such terms in section 6045(g).”.

11 (c) INFORMATION BY TRANSFERORS TO AID BRO-  
12 KERS.—

13 (1) IN GENERAL.—Subpart B of part III of  
14 subchapter A of chapter 61 is amended by inserting  
15 after section 6045 the following new section:

16 **“SEC. 6045A. INFORMATION REQUIRED IN CONNECTION**  
17 **WITH TRANSFERS OF COVERED SECURITIES**  
18 **TO BROKERS.**

19 “(a) FURNISHING OF INFORMATION.—Every applica-  
20 ble person which transfers to a broker (as defined in sec-  
21 tion 6045(c)(1)) a security which is a covered security (as  
22 defined in section 6045(g)(3)) in the hands of such appli-  
23 cable person shall furnish to such broker a written state-  
24 ment in such manner and setting forth such information  
25 as the Secretary may by regulations prescribe for purposes

1 of enabling such broker to meet the requirements of sec-  
2 tion 6045(g).

3 “(b) APPLICABLE PERSON.—For purposes of sub-  
4 section (a), the term ‘applicable person’ means—

5 “(1) any broker (as defined in section  
6 6045(c)(1)), and

7 “(2) any other person as provided by the Sec-  
8 retary in regulations.

9 “(c) TIME FOR FURNISHING STATEMENT.—Any  
10 statement required by subsection (a) shall be furnished  
11 not later than the earlier of—

12 “(1) 45 days after the date of the transfer de-  
13 scribed in subsection (a), or

14 “(2) January 15 of the year following the cal-  
15 endar year during which such transfer occurred.”.

16 (2) ASSESSABLE PENALTIES.—Paragraph (2)  
17 of section 6724(d) (defining payee statement) is  
18 amended by redesignating subparagraphs (I)  
19 through (CC) as subparagraphs (J) through (DD),  
20 respectively, and by inserting after subparagraph  
21 (H) the following new subparagraph:

22 “(I) section 6045A (relating to information  
23 required in connection with transfers of covered  
24 securities to brokers).”.

1           (3) CLERICAL AMENDMENT.—The table of sec-  
2           tions for subpart B of part III of subchapter A of  
3           chapter 61 is amended by inserting after the item  
4           relating to section 6045 the following new item:

“Sec. 6045A. Information required in connection with transfers of covered se-  
curities to brokers.”.

5           (d) ADDITIONAL ISSUER INFORMATION TO AID BRO-  
6           KERS.—

7           (1) IN GENERAL.—Subpart B of part III of  
8           subchapter A of chapter 61 of the Internal Revenue  
9           Code of 1986, as amended by subsection (b), is  
10          amended by inserting after section 6045A the fol-  
11          lowing new section:

12       **“SEC. 6045B. RETURNS RELATING TO ACTIONS AFFECTING**  
13               **BASIS OF SPECIFIED SECURITIES.**

14       “(a) IN GENERAL.—According to the forms or regu-  
15       lations prescribed by the Secretary, any issuer of a speci-  
16       fied security shall make a return setting forth—

17               “(1) a description of any organizational action  
18               which affects the basis of such specified security of  
19               such issuer,

20               “(2) the quantitative effect on the basis of such  
21               specified security resulting from such action, and

22               “(3) such other information as the Secretary  
23               may prescribe.

1       “(b) TIME FOR FILING RETURN.—Any return re-  
2       quired by subsection (a) shall be filed not later than the  
3       earlier of—

4               “(1) 45 days after the date of the action de-  
5       scribed in subsection (a), or

6               “(2) January 15 of the year following the cal-  
7       endar year during which such action occurred.

8       “(c) STATEMENTS TO BE FURNISHED TO HOLDERS  
9       OF SPECIFIED SECURITIES OR THEIR NOMINEES.—Ac-  
10      cording to the forms or regulations prescribed by the Sec-  
11      retary, every person required to make a return under sub-  
12      section (a) with respect to a specified security shall furnish  
13      to the nominee with respect to the specified security (or  
14      certificate holder if there is no nominee) a written state-  
15      ment showing—

16               “(1) the name, address, and phone number of  
17      the information contact of the person required to  
18      make such return,

19               “(2) the information required to be shown on  
20      such return with respect to such security, and

21               “(3) such other information as the Secretary  
22      may prescribe.

23      The written statement required under the preceding sen-  
24      tence shall be furnished to the holder on or before January

1 15 of the year following the calendar year during which  
2 the action described in subsection (a) occurred.

3 “(d) SPECIFIED SECURITY.—For purposes of this  
4 section, the term ‘specified security’ has the meaning given  
5 such term by section 6045(g)(3)(B). No return shall be  
6 required under this section with respect to actions de-  
7 scribed in subsection (a) with respect to a specified secu-  
8 rity which occur before the applicable date (as defined in  
9 section 6045(g)(3)(C)) with respect to such security.

10 “(e) PUBLIC REPORTING IN LIEU OF RETURN.—The  
11 Secretary may waive the requirements under subsections  
12 (a) and (c) with respect to a specified security, if the per-  
13 son required to make the return under subsection (a)  
14 makes publicly available, in such form and manner as the  
15 Secretary determines necessary to carry out the purposes  
16 of this section—

17 “(1) the name, address, phone number, and  
18 email address of the information contact of such  
19 person, and

20 “(2) the information described in paragraphs  
21 (1), (2), and (3) of subsection (a).”.

22 (2) ASSESSABLE PENALTIES.—

23 (A) Subparagraph (B) of section  
24 6724(d)(1) of such Code (defining information  
25 return) is amended by redesignating clauses (iv)

1 through (xix) as clauses (v) through (xx), re-  
2 spectively, and by inserting after clause (iii) the  
3 following new clause:

4 “(iv) section 6045B(a) (relating to re-  
5 turns relating to actions affecting basis of  
6 specified securities),”.

7 (B) Paragraph (2) of section 6724(d) of  
8 such Code (defining payee statement), as  
9 amended by subsection (c)(2), is amended by  
10 redesignating subparagraphs (J) through (DD)  
11 as subparagraphs (K) through (EE), respec-  
12 tively, and by inserting after subparagraph (I)  
13 the following new subparagraph:

14 “(J) subsections (c) and (e) of section  
15 6045B (relating to returns relating to actions  
16 affecting basis of specified securities).”.

17 (3) CLERICAL AMENDMENT.—The table of sec-  
18 tions for subpart B of part III of subchapter A of  
19 chapter 61 of such Code, as amended by subsection  
20 (b)(3), is amended by inserting after the item relat-  
21 ing to section 6045A the following new item:

“Sec. 6045B. Returns relating to actions affecting basis of specified securi-  
ties.”.

22 (e) EFFECTIVE DATE.—The amendments made by  
23 this section shall take effect on January 1, 2009.

24 (f) STUDY REGARDING INFORMATION RETURNS.—



1           (1) IN GENERAL.—The Secretary of the Treas-  
2       ury shall study the effect and feasibility of delaying  
3       the date for furnishing statements under sections  
4       6042(c), 6045, 6049(c)(2)(A), and 6050N(b) of the  
5       Internal Revenue Code of 1986 until February 15  
6       following the year to which such statements relate.

7           (2) REPORT.—Not later than 6 months after  
8       the date of the enactment of this Act, the Secretary  
9       of the Treasury shall report to Congress on the re-  
10      sults of the study conducted under paragraph (1).  
11      Such report shall include the Secretary’s findings re-  
12      garding—

13                (A) the effect on tax administration of  
14      such delay, and

15                (B) other administrative or legislative op-  
16      tions to improve compliance and ease burdens  
17      on taxpayers and brokers with respect to such  
18      statements.

19   **SEC. 1565. EXTENSION OF ADDITIONAL 0.2 PERCENT FUTA**  
20                   **SURTAX.**

21       (a) IN GENERAL.—Section 3301 (relating to rate of  
22   tax) is amended—

23                (1) by striking “2007” in paragraph (1) and in-  
24      serting “2008”, and

1 (2) by striking “2008” in paragraph (2) and in-  
2 serting “2009”.

3 (b) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to wages paid after December 31,  
5 2007.

6 **SEC. 1566. TERMINATION OF TREATMENT OF NATURAL GAS**  
7 **DISTRIBUTION LINES AS 15-YEAR PROPERTY.**

8 (a) IN GENERAL.—Section 168(e)(3)(E)(viii) of the  
9 Internal Revenue Code of 1986 is amended by striking  
10 “January 1, 2011” and inserting “December 4, 2007”.

11 (b) EFFECTIVE DATE.—

12 (1) IN GENERAL.—The amendments made by  
13 this section shall apply to property placed in service  
14 after December 3, 2007.

15 (2) EXCEPTION.—The amendments made by  
16 this section shall not apply to any property with re-  
17 spect to which the taxpayer or a related party has  
18 entered into a binding contract for the construction  
19 thereof on or before December 3, 2007, or, in the  
20 case of self-constructed property, has started con-  
21 struction on or before such date.

22 **SEC. 1567. TIME FOR PAYMENT OF CORPORATE ESTIMATED**  
23 **TAXES.**

24 The percentage under subparagraph (B) of section  
25 401(1) of the Tax Increase Prevention and Reconciliation

1 Act of 2005 in effect on the date of the enactment of this  
2 Act is increased by 6.25 percentage points.

3 **SEC. 1568. MODIFICATION OF PENALTY FOR FAILURE TO**  
4 **FILE PARTNERSHIP RETURNS.**

5 (a) EXTENSION OF TIME LIMITATION.—Section  
6 6698(a) (relating to failure to file partnership returns) is  
7 amended by striking “5 months” and inserting “12  
8 months”.

9 (b) INCREASE IN PENALTY AMOUNT.—Paragraph  
10 (1) of section 6698(b) is amended by striking “\$50” and  
11 inserting “\$80”.

12 (c) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to returns required to be filed after  
14 the date of the enactment of this Act.

15 **Subtitle F—Secure Rural Schools**

16 **SEC. 1571. SECURE RURAL SCHOOLS AND COMMUNITY**  
17 **SELF-DETERMINATION PROGRAM.**

18 (a) REAUTHORIZATION OF THE SECURE RURAL  
19 SCHOOLS AND COMMUNITY SELF-DETERMINATION ACT  
20 OF 2000.—The Secure Rural Schools and Community  
21 Self-Determination Act of 2000 (16 U.S.C. 500 note; Pub-  
22 lic Law 106–393) is amended by striking sections 1  
23 through 403 and inserting the following:

1   **“SECTION 1. SHORT TITLE.**

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

4   **“SEC. 2. PURPOSES.**

5           “The purposes of this Act are—

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

9               “(2) to make additional investments in, and  
10   create additional employment opportunities through,  
11   projects that—

12                   “(A)(i) improve the maintenance of exist-  
13   ing infrastructure;

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

16                   “(iii) restore and improve land health and  
17   water quality;

18                   “(B) enjoy broad-based support; and

19                   “(C) have objectives that may include—

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

22                       “(ii) soil productivity improvement;

23                       “(iii) improvements in forest eco-  
24   system health;

25                       “(iv) watershed restoration and main-  
26   tenance;

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

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

5 “(vii) the reestablishment of native  
6 species; and

7 “(3) to improve cooperative relationships  
8 among—

9 “(A) the people that use and care for Fed-  
10 eral land; and

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

13 **“SEC. 3. DEFINITIONS.**

14 “In this Act:

15 “(1) ADJUSTED SHARE.—The term ‘adjusted  
16 share’ means the number equal to the quotient ob-  
17 tained by dividing—

18 “(A) the number equal to the quotient ob-  
19 tained by dividing—

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

22 “(ii) the income adjustment for the el-  
23 igible county; by

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

4           “(2) BASE SHARE.—The term ‘base share’  
5           means the number equal to the average of—

6           “(A) the quotient obtained by dividing—

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

10           “(ii) the total number acres of Fed-  
11           eral land in all eligible counties in all eligi-  
12           ble States; and

13           “(B) the quotient obtained by dividing—

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

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

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

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

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

8                   “(B) elects to receive a share of the State  
9                   payment or the county payment under section  
10                  102(b).

11           “(5) ELIGIBILITY PERIOD.—The term ‘eligi-  
12           bility period’ means fiscal year 1986 through fiscal  
13           year 1999.

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

18           “(7) FEDERAL LAND.—The term ‘Federal land’  
19           means—

20                   “(A) land within the National Forest Sys-  
21                   tem, as defined in section 11(a) of the Forest  
22                   and Rangeland Renewable Resources Planning  
23                   Act of 1974 (16 U.S.C. 1609(a)) exclusive of  
24                   the National Grasslands and land utilization  
25                   projects designated as National Grasslands ad-

1 ministered pursuant to the Act of July 22,  
2 1937 (7 U.S.C. 1010–1012); and

3 “(B) such portions of the revested Oregon  
4 and California Railroad and reconveyed Coos  
5 Bay Wagon Road grant land as are or may  
6 hereafter come under the jurisdiction of the De-  
7 partment of the Interior, which have heretofore  
8 or may hereafter be classified as timberlands,  
9 and power-site land valuable for timber, that  
10 shall be managed, except as provided in the  
11 former section 3 of the Act of August 28, 1937  
12 (50 Stat. 875; 43 U.S.C. 1181c), for permanent  
13 forest production.

14 “(8) 50-PERCENT ADJUSTED SHARE.—The  
15 term ‘50-percent adjusted share’ means the number  
16 equal to the quotient obtained by dividing—

17 “(A) the number equal to the quotient ob-  
18 tained by dividing—

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

21 “(ii) the income adjustment for the el-  
22 igible county; by

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



1           “(9) 50-PERCENT BASE SHARE.—The term ‘50-  
2       percent base share’ means the number equal to the  
3       average of—

4           “(A) the quotient obtained by dividing—

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

8           “(ii) the total number acres of Fed-  
9       eral land in all eligible counties in all eligi-  
10      ble States; and

11          “(B) the quotient obtained by dividing—

12          “(i) the amount equal to the average  
13      of the 3 highest 50-percent payments made  
14      to each eligible county during the eligibility  
15      period; by

16          “(ii) the amount equal to the sum of  
17      the amounts calculated under clause (i)  
18      and paragraph (2)(B)(i) for all eligible  
19      counties in all eligible States during the  
20      eligibility period.

21          “(10) 50-PERCENT PAYMENT.—The term ‘50-  
22      percent payment’ means the payment that is the  
23      sum of the 50-percent share otherwise paid to a  
24      county pursuant to title II of the Act of August 28,  
25      1937 (chapter 876; 50 Stat. 875; 43 U.S.C. 1181f),

1       and the payment made to a county pursuant to the  
2       Act of May 24, 1939 (chapter 144; 53 Stat. 753; 43  
3       U.S.C. 1181f–1 et seq.).

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

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

8                       “(B) for fiscal year 2009 and each fiscal  
9       year thereafter, the amount that is equal to 85  
10      percent of the full funding amount for the pre-  
11      ceding fiscal year.

12               “(12) INCOME ADJUSTMENT.—The term ‘in-  
13      come adjustment’ means the square of the quotient  
14      obtained by dividing—

15                       “(A) the per capita personal income for  
16      each eligible county; by

17                       “(B) the median per capita personal in-  
18      come of all eligible counties.

19               “(13) PER CAPITA PERSONAL INCOME.—The  
20      term ‘per capita personal income’ means the most  
21      recent per capita personal income data, as deter-  
22      mined by the Bureau of Economic Analysis.

23               “(14) SAFETY NET PAYMENTS.—The term  
24      ‘safety net payments’ means the special payment  
25      amounts paid to States and counties required by

1 section 13982 or 13983 of the Omnibus Budget  
2 Reconciliation Act of 1993 (Public Law 103–66; 16  
3 U.S.C. 500 note; 43 U.S.C. 1181f note).

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

6 “(A) the Secretary of Agriculture or the  
7 designee of the Secretary of Agriculture with  
8 respect to the Federal land described in para-  
9 graph (7)(A); and

10 “(B) the Secretary of the Interior or the  
11 designee of the Secretary of the Interior with  
12 respect to the Federal land described in para-  
13 graph (7)(B).

14 “(16) STATE PAYMENT.—The term ‘State pay-  
15 ment’ means the payment for an eligible State cal-  
16 culated under section 101(a).

17 “(17) 25-PERCENT PAYMENT.—The term ‘25-  
18 percent payment’ means the payment to States re-  
19 quired by the sixth paragraph under the heading of  
20 ‘FOREST SERVICE’ in the Act of May 23, 1908  
21 (35 Stat. 260; 16 U.S.C. 500), and section 13 of the  
22 Act of March 1, 1911 (36 Stat. 963; 16 U.S.C.  
23 500).

1 **“TITLE I—SECURE PAYMENTS**  
2 **FOR STATES AND COUNTIES**  
3 **CONTAINING FEDERAL LAND**

4 **“SEC. 101. SECURE PAYMENTS FOR STATES CONTAINING**  
5 **FEDERAL LAND.**

6 “(a) STATE PAYMENT.—For each of fiscal years  
7 2008 through 2011, the Secretary of Agriculture shall cal-  
8 culate for each eligible State an amount equal to the sum  
9 of the products obtained by multiplying—

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

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

13 “(b) COUNTY PAYMENT.—For each of fiscal years  
14 2008 through 2011, the Secretary of the Interior shall cal-  
15 culate for each eligible county that received a 50-percent  
16 payment during the eligibility period an amount equal to  
17 the product obtained by multiplying—

18 “(1) the 50-percent adjusted share for the eligi-  
19 ble county; by

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

21 **“SEC. 102. PAYMENTS TO STATES AND COUNTIES.**

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

24 “(1) a State or territory of the United States  
25 an amount equal to the sum of the amounts elected

1 under subsection (b) by each county within the State  
2 or territory for—

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

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

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

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

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

14 “(b) ELECTION TO RECEIVE PAYMENT AMOUNT.—

15 “(1) ELECTION; SUBMISSION OF RESULTS.—

16 “(A) IN GENERAL.—The election to receive  
17 a share of the State payment, the county pay-  
18 ment, a share of the State payment and the  
19 county payment, a share of the 25-percent pay-  
20 ment, the 50-percent payment, or a share of the  
21 25-percent payment and the 50-percent pay-  
22 ment, as applicable, shall be made at the discre-  
23 tion of each affected county by August 1, 2008,  
24 and August 1 of each second fiscal year there-  
25 after, in accordance with paragraph (2), and

1 transmitted to the Secretary concerned by the  
2 Governor of each eligible State.

3 “(B) FAILURE TO TRANSMIT.—If an elec-  
4 tion for an affected county is not transmitted to  
5 the Secretary concerned by the date specified  
6 under subparagraph (A), the affected county  
7 shall be considered to have elected to receive a  
8 share of the State payment, the county pay-  
9 ment, or a share of the State payment and the  
10 county payment, as applicable.

11 “(2) DURATION OF ELECTION.—

12 “(A) IN GENERAL.—A county election to  
13 receive a share of the 25-percent payment or  
14 50-percent payment, as applicable, shall be ef-  
15 fective for 2 fiscal years.

16 “(B) FULL FUNDING AMOUNT.—If a coun-  
17 ty elects to receive a share of the State payment  
18 or the county payment, the election shall be ef-  
19 fective for all subsequent fiscal years through  
20 fiscal year 2011.

21 “(3) SOURCE OF PAYMENT AMOUNTS.—The  
22 payment to an eligible State or eligible county under  
23 this section for a fiscal year shall be derived from—

24 “(A) any revenues, fees, penalties, or mis-  
25 cellaneous receipts, exclusive of deposits to any

1 relevant trust fund, special account, or perma-  
2 nent operating funds, received by the Federal  
3 Government from activities by the Bureau of  
4 Land Management or the Forest Service on the  
5 applicable Federal land; and

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

9 “(c) DISTRIBUTION AND EXPENDITURE OF PAY-  
10 MENTS.—

11 “(1) DISTRIBUTION METHOD.—A State that re-  
12 ceives a payment under subsection (a) for Federal  
13 land described in section 3(7)(A) shall distribute the  
14 appropriate payment amount among the appropriate  
15 counties in the State in accordance with—

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

18 “(B) section 13 of the Act of March 1,  
19 1911 (36 Stat. 963; 16 U.S.C. 500).

20 “(2) EXPENDITURE PURPOSES.—Subject to  
21 subsection (d), payments received by a State under  
22 subsection (a) and distributed to counties in accord-  
23 ance with paragraph (1) shall be expended as re-  
24 quired by the laws referred to in paragraph (1).

1       “(d) EXPENDITURE RULES FOR ELIGIBLE COUN-  
2 TIES.—

3               “(1) ALLOCATIONS.—

4                       “(A) USE OF PORTION IN SAME MANNER  
5 AS 25-PERCENT PAYMENT OR 50-PERCENT PAY-  
6 MENT, AS APPLICABLE.—Except as provided in  
7 paragraph (3)(B), if an eligible county elects to  
8 receive its share of the State payment or the  
9 county payment, not less than 80 percent, but  
10 not more than 85 percent, of the funds shall be  
11 expended in the same manner in which the 25-  
12 percent payments or 50-percent payment, as  
13 applicable, are required to be expended.

14                       “(B) ELECTION AS TO USE OF BAL-  
15 ANCE.—Except as provided in subparagraph  
16 (C), an eligible county shall elect to do 1 or  
17 more of the following with the balance of any  
18 funds not expended pursuant to subparagraph  
19 (A):

20                               “(i) Reserve any portion of the bal-  
21 ance for projects in accordance with title  
22 II.

23                               “(ii) Reserve not more than 7 percent  
24 of the total share for the eligible county of



1           the State payment or the county payment  
2           for projects in accordance with title III.

3           “(iii) Return the portion of the bal-  
4           ance not reserved under clauses (i) and (ii)  
5           to the Treasury of the United States.

6           “(C) COUNTIES WITH MODEST DISTRIBUTIONS.—In the case of each eligible county to  
7           which more than \$100,000, but less than  
8           \$350,000, is distributed for any fiscal year pur-  
9           suant to either or both of paragraphs (1)(B)  
10          and (2)(B) of subsection (a), the eligible coun-  
11          ty, with respect to the balance of any funds not  
12          expended pursuant to subparagraph (A) for  
13          that fiscal year, shall—

14                   “(i) reserve any portion of the balance  
15                   for—

16                           “(I) carrying out projects under  
17                           title II;

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

20                           “(III) a combination of the pur-  
21                           poses described in subclauses (I) and  
22                           (II); or  
23

1 “(ii) return the portion of the balance  
2 not reserved under clause (i) to the Treas-  
3 ury of the United States.

4 “(2) DISTRIBUTION OF FUNDS.—

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

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

13 “(i) be available for expenditure by  
14 the Secretary concerned, without further  
15 appropriation; and

16 “(ii) remain available until expended  
17 in accordance with title II.

18 “(3) ELECTION.—

19 “(A) NOTIFICATION.—

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

1                   “(ii) FAILURE TO ELECT.—Except as  
2                   provided in subparagraph (B), if the eligi-  
3                   ble county fails to make an election by the  
4                   date specified in clause (i), the eligible  
5                   county shall—

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

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

12                   “(B) COUNTIES WITH MINOR DISTRIBUTIONS.—In the case of each eligible county to  
13                   which less than \$100,000 is distributed for any  
14                   fiscal year pursuant to either or both of para-  
15                   graphs (1)(B) and (2)(B) of subsection (a), the  
16                   eligible county may elect to expend all the funds  
17                   in the same manner in which the 25-percent  
18                   payments or 50-percent payments, as applica-  
19                   ble, are required to be expended.  
20

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

1 **“SEC. 103. TRANSITION PAYMENTS TO THE STATES OF**  
2 **CALIFORNIA, OREGON, AND WASHINGTON.**

3 “(a) DEFINITIONS.—In this section:

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

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

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

14 “(ii) the sum of the amounts paid for  
15 fiscal year 2006 under section 103(a)(2)  
16 (as in effect on September 29, 2006) for  
17 the eligible counties in the State of Oregon  
18 that have elected under section 102(b) to  
19 receive the county payment for fiscal year  
20 2008;

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

22 “(i) the sum of the amounts paid for  
23 fiscal year 2006 under section 102(a)(2)  
24 (as in effect on September 29, 2006) for  
25 the eligible counties in the covered State  
26 that have elected under section 102(b) to

1 receive a share of the State payment for  
2 fiscal year 2009; and

3 “(ii) the sum of the amounts paid for  
4 fiscal year 2006 under section 103(a)(2)  
5 (as in effect on September 29, 2006) for  
6 the eligible counties in the State of Oregon  
7 that have elected under section 102(b) to  
8 receive the county payment for fiscal year  
9 2009; and

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

11 “(i) the sum of the amounts paid for  
12 fiscal year 2006 under section 102(a)(2)  
13 (as in effect on September 29, 2006) for  
14 the eligible counties in the covered State  
15 that have elected under section 102(b) to  
16 receive a share of the State payment for  
17 fiscal year 2010; and

18 “(ii) the sum of the amounts paid for  
19 fiscal year 2006 under section 103(a)(2)  
20 (as in effect on September 29, 2006) for  
21 the eligible counties in the State of Oregon  
22 that have elected under section 102(b) to  
23 receive the county payment for fiscal year  
24 2010.

1           “(2) COVERED STATE.—The term ‘covered  
2       State’ means each of the States of California, Or-  
3       egon, and Washington.

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

11          “(c) DISTRIBUTION OF ADJUSTED AMOUNT IN OR-  
12      EGON AND WASHINGTON.—It is the intent of Congress  
13      that the method of distributing the payments under sub-  
14      section (b) among the counties in the States of Oregon  
15      and Washington for each of fiscal years 2008 through  
16      2010 be in the same proportion that the payments were  
17      distributed to the eligible counties in fiscal year 2006.

18          “(d) DISTRIBUTION OF PAYMENTS IN CALI-  
19      FORNIA.—The following payments shall be distributed  
20      among the eligible counties in the State of California in  
21      the same proportion that payments under section  
22      102(a)(2) (as in effect on September 29, 2006) were dis-  
23      tributed to the eligible counties for fiscal year 2006:

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

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

4           “(e) TREATMENT OF PAYMENTS.—For purposes of  
5       this Act, any payment made under subsection (b) shall be  
6       considered to be a payment made under section 102(a).

7       **“TITLE II—SPECIAL PROJECTS**  
8               **ON FEDERAL LAND**

9       **“SEC. 201. DEFINITIONS.**

10       “In this title:

11           “(1) PARTICIPATING COUNTY.—The term ‘par-  
12       ticipating county’ means an eligible county that  
13       elects under section 102(d) to expend a portion of  
14       the Federal funds received under section 102 in ac-  
15       cordance with this title.

16           “(2) PROJECT FUNDS.—The term ‘project  
17       funds’ means all funds an eligible county elects  
18       under section 102(d) to reserve for expenditure in  
19       accordance with this title.

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

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

1 “(B) an advisory committee determined by  
2 the Secretary concerned to meet the require-  
3 ments of section 205.

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

6 “(A) a land use plan prepared by the Bu-  
7 reau of Land Management for units of the Fed-  
8 eral land described in section 3(7)(B) pursuant  
9 to section 202 of the Federal Land Policy and  
10 Management Act of 1976 (43 U.S.C. 1712); or

11 “(B) a land and resource management  
12 plan prepared by the Forest Service for units of  
13 the National Forest System pursuant to section  
14 6 of the Forest and Rangeland Renewable Re-  
15 sources Planning Act of 1974 (16 U.S.C.  
16 1604).

17 **“SEC. 202. GENERAL LIMITATION ON USE OF PROJECT**  
18 **FUNDS.**

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

21 “(b) AUTHORIZED USES.—Project funds may be  
22 used by the Secretary concerned for the purpose of enter-  
23 ing into and implementing cooperative agreements with  
24 willing Federal agencies, State and local governments, pri-  
25 vate and nonprofit entities, and landowners for protection,



1 restoration, and enhancement of fish and wildlife habitat,  
2 and other resource objectives consistent with the purposes  
3 of this Act on Federal land and on non-Federal land where  
4 projects would benefit the resources on Federal land.

5 **“SEC. 203. SUBMISSION OF PROJECT PROPOSALS.**

6 “(a) SUBMISSION OF PROJECT PROPOSALS TO SEC-  
7 RETARY CONCERNED.—

8 “(1) PROJECTS FUNDED USING PROJECT  
9 FUNDS.—Not later than September 30 for fiscal  
10 year 2008, and each September 30 thereafter for  
11 each succeeding fiscal year through fiscal year 2011,  
12 each resource advisory committee shall submit to the  
13 Secretary concerned a description of any projects  
14 that the resource advisory committee proposes the  
15 Secretary undertake using any project funds re-  
16 served by eligible counties in the area in which the  
17 resource advisory committee has geographic jurisdic-  
18 tion.

19 “(2) PROJECTS FUNDED USING OTHER  
20 FUNDS.—A resource advisory committee may submit  
21 to the Secretary concerned a description of any  
22 projects that the committee proposes the Secretary  
23 undertake using funds from State or local govern-  
24 ments, or from the private sector, other than project

1 funds and funds appropriated and otherwise avail-  
2 able to do similar work.

3 “(3) JOINT PROJECTS.—Participating counties  
4 or other persons may propose to pool project funds  
5 or other funds, described in paragraph (2), and  
6 jointly propose a project or group of projects to a re-  
7 source advisory committee established under section  
8 205.

9 “(b) REQUIRED DESCRIPTION OF PROJECTS.—In  
10 submitting proposed projects to the Secretary concerned  
11 under subsection (a), a resource advisory committee shall  
12 include in the description of each proposed project the fol-  
13 lowing information:

14 “(1) The purpose of the project and a descrip-  
15 tion of how the project will meet the purposes of this  
16 title.

17 “(2) The anticipated duration of the project.

18 “(3) The anticipated cost of the project.

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

21 “(5)(A) Expected outcomes, including how the  
22 project will meet or exceed desired ecological condi-  
23 tions, maintenance objectives, or stewardship objec-  
24 tives.

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

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

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

10                   “(B) includes an assessment of the fol-  
11           lowing:

12                           “(i) Whether or not the project met or  
13                           exceeded desired ecological conditions; cre-  
14                           ated local employment or training opportu-  
15                           nities, including summer youth jobs pro-  
16                           grams such as the Youth Conservation  
17                           Corps where appropriate.

18                           “(ii) Whether the project improved  
19                           the use of, or added value to, any products  
20                           removed from land consistent with the pur-  
21                           poses of this title.

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

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

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

3 “(a) CONDITIONS FOR APPROVAL OF PROPOSED  
4 PROJECT.—The Secretary concerned may make a decision  
5 to approve a project submitted by a resource advisory com-  
6 mittee under section 203 only if the proposed project satis-  
7 fies each of the following conditions:

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

10 “(2) The project is consistent with the applica-  
11 ble resource management plan and with any water-  
12 shed or subsequent plan developed pursuant to the  
13 resource management plan and approved by the Sec-  
14 retary concerned.

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

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

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

26 “(b) ENVIRONMENTAL REVIEWS.—

1           “(1) REQUEST FOR PAYMENT BY COUNTY.—

2           The Secretary concerned may request the resource  
3           advisory committee submitting a proposed project to  
4           agree to the use of project funds to pay for any envi-  
5           ronmental review, consultation, or compliance with  
6           applicable environmental laws required in connection  
7           with the project.

8           “(2) CONDUCT OF ENVIRONMENTAL REVIEW.—

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

15          “(3) EFFECT OF REFUSAL TO PAY.—

16                 “(A) IN GENERAL.—If a resource advisory  
17                 committee does not agree to the expenditure of  
18                 funds under paragraph (1), the project shall be  
19                 deemed withdrawn from further consideration  
20                 by the Secretary concerned pursuant to this  
21                 title.

22                 “(B) EFFECT OF WITHDRAWAL.—A with-  
23                 drawal under subparagraph (A) shall be deemed  
24                 to be a rejection of the project for purposes of  
25                 section 207(c).

1 “(c) DECISIONS OF SECRETARY CONCERNED.—

2 “(1) REJECTION OF PROJECTS.—

3 “(A) IN GENERAL.—A decision by the Sec-  
4 retary concerned to reject a proposed project  
5 shall be at the sole discretion of the Secretary  
6 concerned.

7 “(B) NO ADMINISTRATIVE APPEAL OR JU-  
8 DICIAL REVIEW.—Notwithstanding any other  
9 provision of law, a decision by the Secretary  
10 concerned to reject a proposed project shall not  
11 be subject to administrative appeal or judicial  
12 review.

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

20 “(2) NOTICE OF PROJECT APPROVAL.—The  
21 Secretary concerned shall publish in the Federal  
22 Register notice of each project approved under sub-  
23 section (a) if the notice would be required had the  
24 project originated with the Secretary.

1       “(d) SOURCE AND CONDUCT OF PROJECT.—Once the  
2 Secretary concerned accepts a project for review under  
3 section 203, the acceptance shall be deemed a Federal ac-  
4 tion for all purposes.

5       “(e) IMPLEMENTATION OF APPROVED PROJECTS.—

6           “(1) COOPERATION.—Notwithstanding chapter  
7 63 of title 31, United States Code, using project  
8 funds the Secretary concerned may enter into con-  
9 tracts, grants, and cooperative agreements with  
10 States and local governments, private and nonprofit  
11 entities, and landowners and other persons to assist  
12 the Secretary in carrying out an approved project.

13       “(2) BEST VALUE CONTRACTING.—

14           “(A) IN GENERAL.—For any project in-  
15 volving a contract authorized by paragraph (1)  
16 the Secretary concerned may elect a source for  
17 performance of the contract on a best value  
18 basis.

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

22           “(i) the technical demands and com-  
23 plexity of the work to be done;

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

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

3 “(iii) the past experience by the con-  
4 tractor with the type of work being done,  
5 using the type of equipment proposed for  
6 the project, and meeting or exceeding de-  
7 sired ecological conditions; and

8 “(iv) the commitment of the con-  
9 tractor to hiring highly qualified workers  
10 and local residents.

11 “(3) MERCHANTABLE TIMBER CONTRACTING  
12 PILOT PROGRAM.—

13 “(A) ESTABLISHMENT.—The Secretary  
14 concerned shall establish a pilot program to im-  
15 plement a certain percentage of approved  
16 projects involving the sale of merchantable tim-  
17 ber using separate contracts for—

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

20 “(ii) the sale of the timber.

21 “(B) ANNUAL PERCENTAGES.—Under the  
22 pilot program, the Secretary concerned shall en-  
23 sure that, on a nationwide basis, not less than  
24 the following percentage of all approved projects



1 involving the sale of merchantable timber are  
2 implemented using separate contracts:

3 “(i) For fiscal year 2008, 35 percent.

4 “(ii) For fiscal year 2009, 45 percent.

5 “(iii) For each of fiscal years 2010  
6 and 2011, 50 percent.

7 “(C) INCLUSION IN PILOT PROGRAM.—The  
8 decision whether to use separate contracts to  
9 implement a project involving the sale of mer-  
10 chantable timber shall be made by the Sec-  
11 retary concerned after the approval of the  
12 project under this title.

13 “(D) ASSISTANCE.—

14 “(i) IN GENERAL.—The Secretary  
15 concerned may use funds from any appro-  
16 priated account available to the Secretary  
17 for the Federal land to assist in the ad-  
18 ministration of projects conducted under  
19 the pilot program.

20 “(ii) MAXIMUM AMOUNT OF ASSIST-  
21 ANCE.—The total amount obligated under  
22 this subparagraph may not exceed  
23 \$1,000,000 for any fiscal year during  
24 which the pilot program is in effect.

25 “(E) REVIEW AND REPORT.—

1                   “(i) INITIAL REPORT.—Not later than  
2                   September 30, 2010, the Comptroller Gen-  
3                   eral shall submit to the Committees on Ag-  
4                   riculture, Nutrition, and Forestry and En-  
5                   ergy and Natural Resources of the Senate  
6                   and the Committees on Agriculture and  
7                   Natural Resources of the House of Rep-  
8                   resentatives a report assessing the pilot  
9                   program.

10                   “(ii) ANNUAL REPORT.—The Sec-  
11                   retary concerned shall submit to the Com-  
12                   mittees on Agriculture, Nutrition, and For-  
13                   estry and Energy and Natural Resources  
14                   of the Senate and the Committees on Agri-  
15                   culture and Natural Resources of the  
16                   House of Representatives an annual report  
17                   describing the results of the pilot program.

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

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

24                   “(2) to restoration of streams and watersheds.

1 **“SEC. 205. RESOURCE ADVISORY COMMITTEES.**

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

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

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

10 “(A) to improve collaborative relationships;  
11 and

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

15 “(3) ACCESS TO RESOURCE ADVISORY COMMIT-  
16 TEES.—To ensure that each unit of Federal land  
17 has access to a resource advisory committee, and  
18 that there is sufficient interest in participation on a  
19 committee to ensure that membership can be bal-  
20 anced in terms of the points of view represented and  
21 the functions to be performed, the Secretary con-  
22 cerned may, establish resource advisory committees  
23 for part of, or 1 or more, units of Federal land.

24 “(4) EXISTING ADVISORY COMMITTEES.—

25 “(A) IN GENERAL.—An advisory com-  
26 mittee that meets the requirements of this sec-

tion, 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;

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

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

10          “(5)(A) monitor projects that have been ap-  
11          proved under section 204; and

12          “(B) advise the designated Federal official on  
13          the progress of the monitoring efforts under sub-  
14          paragraph (A); and

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

19          “(c) APPOINTMENT BY THE SECRETARY.—

20          “(1) APPOINTMENT AND TERM.—

21                 “(A) IN GENERAL.—The Secretary con-  
22                 cerned, shall appoint the members of resource  
23                 advisory committees for a term of 4 years be-  
24                 ginning on the date of appointment.

1                   “(B) REAPPOINTMENT.—The Secretary  
2                   concerned may reappoint members to subse-  
3                   quent 4-year terms.

4                   “(2) BASIC REQUIREMENTS.—The Secretary  
5                   concerned shall ensure that each resource advisory  
6                   committee established meets the requirements of  
7                   subsection (d).

8                   “(3) INITIAL APPOINTMENT.—Not later than  
9                   180 days after the date of the enactment of this Act,  
10                  the Secretary concerned shall make initial appoint-  
11                  ments to the resource advisory committees.

12                  “(4) VACANCIES.—The Secretary concerned  
13                  shall make appointments to fill vacancies on any re-  
14                  source advisory committee as soon as practicable  
15                  after the vacancy has occurred.

16                  “(5) COMPENSATION.—Members of the re-  
17                  source advisory committees shall not receive any  
18                  compensation.

19                  “(d) COMPOSITION OF ADVISORY COMMITTEE.—

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

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

25                                 “(A) 5 persons that—

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

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

6 “(iii) represent—

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

9 “(II) commercial or recreational  
10 fishing interests;

11 “(iv) represent the commercial timber  
12 industry; or

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

17 “(B) 5 persons that represent—

18 “(i) nationally recognized environ-  
19 mental organizations;

20 “(ii) regionally or locally recognized  
21 environmental organizations;

22 “(iii) dispersed recreational activities;

23 “(iv) archaeological and historical in-  
24 terests; or

1                   “(v) nationally or regionally recog-  
2                   nized wild horse and burro interest groups,  
3                   wildlife or hunting organizations, or water-  
4                   shed associations.

5                   “(C) 5 persons that—

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

8                   “(ii) hold county or local elected of-  
9                   fice;

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

13                  “(iv) are school officials or teachers;  
14                  or

15                  “(v) represent the affected public at  
16                  large.

17                  “(3) BALANCED REPRESENTATION.—In ap-  
18                  pointing committee members from the 3 categories  
19                  in paragraph (2), the Secretary concerned shall pro-  
20                  vide for balanced and broad representation from  
21                  within each category.

22                  “(4) GEOGRAPHIC DISTRIBUTION.—The mem-  
23                  bers of a resource advisory committee shall reside  
24                  within the State in which the committee has juris-  
25                  diction and, to extent practicable, the Secretary con-



1       cerned shall ensure local representation in each cat-  
2       egory in paragraph (2).

3               “(5) CHAIRPERSON.—A majority on each re-  
4       source advisory committee shall select the chair-  
5       person of the committee.

6       “(e) APPROVAL PROCEDURES.—

7               “(1) IN GENERAL.—Subject to paragraph (3),  
8       each resource advisory committee shall establish pro-  
9       cedures for proposing projects to the Secretary con-  
10      cerned under this title.

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

13              “(3) APPROVAL BY MAJORITY OF MEMBERS.—  
14      A project may be proposed by a resource advisory  
15      committee to the Secretary concerned under section  
16      203(a), if the project has been approved by a major-  
17      ity of members of the committee from each of the  
18      3 categories in subsection (d)(2).

19       “(f) OTHER COMMITTEE AUTHORITIES AND RE-  
20      QUIREMENTS.—

21              “(1) STAFF ASSISTANCE.—A resource advisory  
22      committee may submit to the Secretary concerned a  
23      request for periodic staff assistance from Federal  
24      employees under the jurisdiction of the Secretary.

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

5           “(3) RECORDS.—A resource advisory committee  
6       shall maintain records of the meetings of the com-  
7       mittee and make the records available for public in-  
8       spection.

9       **“SEC. 206. USE OF PROJECT FUNDS.**

10       “(a) AGREEMENT REGARDING SCHEDULE AND COST  
11    OF PROJECT.—

12           “(1) AGREEMENT BETWEEN PARTIES.—The  
13       Secretary concerned may carry out a project sub-  
14       mitted by a resource advisory committee under sec-  
15       tion 203(a) using project funds or other funds de-  
16       scribed in section 203(a)(2), if, as soon as prac-  
17       ticable after the issuance of a decision document for  
18       the project and the exhaustion of all administrative  
19       appeals and judicial review of the project decision,  
20       the Secretary concerned and the resource advisory  
21       committee enter into an agreement addressing, at a  
22       minimum, the following:

23           “(A) The schedule for completing the  
24       project.

1           “(B) The total cost of the project, includ-  
2           ing the level of agency overhead to be assessed  
3           against the project.

4           “(C) For a multiyear project, the esti-  
5           mated cost of the project for each of the fiscal  
6           years in which it will be carried out.

7           “(D) The remedies for failure of the Sec-  
8           retary concerned to comply with the terms of  
9           the agreement consistent with current Federal  
10          law.

11          “(2) LIMITED USE OF FEDERAL FUNDS.—The  
12          Secretary concerned may decide, at the sole discre-  
13          tion of the Secretary concerned, to cover the costs  
14          of a portion of an approved project using Federal  
15          funds appropriated or otherwise available to the Sec-  
16          retary for the same purposes as the project.

17          “(b) TRANSFER OF PROJECT FUNDS.—

18               “(1) INITIAL TRANSFER REQUIRED.—As soon  
19               as practicable after the agreement is reached under  
20               subsection (a) with regard to a project to be funded  
21               in whole or in part using project funds, or other  
22               funds described in section 203(a)(2), the Secretary  
23               concerned shall transfer to the applicable unit of Na-  
24               tional Forest System land or Bureau of Land Man-

1        agement District an amount of project funds equal  
2        to—

3                “(A) in the case of a project to be com-  
4                pleted in a single fiscal year, the total amount  
5                specified in the agreement to be paid using  
6                project funds, or other funds described in sec-  
7                tion 203(a)(2); or

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

12               “(2) CONDITION ON PROJECT COMMENCE-  
13               MENT.—The unit of National Forest System land or  
14               Bureau of Land Management District concerned,  
15               shall not commence a project until the project funds,  
16               or other funds described in section 203(a)(2) re-  
17               quired to be transferred under paragraph (1) for the  
18               project, have been made available by the Secretary  
19               concerned.

20               “(3) SUBSEQUENT TRANSFERS FOR MULTIYEAR  
21               PROJECTS.—

22               “(A) IN GENERAL.—For the second and  
23               subsequent fiscal years of a multiyear project to  
24               be funded in whole or in part using project  
25               funds, the unit of National Forest System land

1           or Bureau of Land Management District con-  
2           cerned shall use the amount of project funds re-  
3           quired to continue the project in that fiscal year  
4           according to the agreement entered into under  
5           subsection (a).

6           “(B) SUSPENSION OF WORK.—The Sec-  
7           retary concerned shall suspend work on the  
8           project if the project funds required by the  
9           agreement in the second and subsequent fiscal  
10          years are not available.

11   **“SEC. 207. AVAILABILITY OF PROJECT FUNDS.**

12          “(a) SUBMISSION OF PROPOSED PROJECTS TO OBLI-  
13   GATE FUNDS.—By September 30 of each fiscal year  
14   through fiscal year 2011, a resource advisory committee  
15   shall submit to the Secretary concerned pursuant to sec-  
16   tion 203(a)(1) a sufficient number of project proposals  
17   that, if approved, would result in the obligation of at least  
18   the full amount of the project funds reserved by the par-  
19   ticipating county in the preceding fiscal year.

20          “(b) USE OR TRANSFER OF UNOBLIGATED  
21   FUNDS.—Subject to section 208, if a resource advisory  
22   committee fails to comply with subsection (a) for a fiscal  
23   year, any project funds reserved by the participating coun-  
24   ty in the preceding fiscal year and remaining unobligated

1 shall be available for use as part of the project submissions  
2 in the next fiscal year.

3 “(c) EFFECT OF REJECTION OF PROJECTS.—Subject  
4 to section 208, any project funds reserved by a partici-  
5 pating county in the preceding fiscal year that are unobli-  
6 gated at the end of a fiscal year because the Secretary  
7 concerned has rejected one or more proposed projects shall  
8 be available for use as part of the project submissions in  
9 the next fiscal year.

10 “(d) EFFECT OF COURT ORDERS.—

11 “(1) IN GENERAL.—If an approved project  
12 under this Act is enjoined or prohibited by a Federal  
13 court, the Secretary concerned shall return the un-  
14 obligated project funds related to the project to the  
15 participating county or counties that reserved the  
16 funds.

17 “(2) EXPENDITURE OF FUNDS.—The returned  
18 funds shall be available for the county to expend in  
19 the same manner as the funds reserved by the coun-  
20 ty under subparagraph (B) or (C)(i) of section  
21 102(d)(1).

22 **“SEC. 208. TERMINATION OF AUTHORITY.**

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

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

4       **“TITLE III—COUNTY FUNDS**

5       **“SEC. 301. DEFINITIONS.**

6       “In this title:

7               “(1) COUNTY FUNDS.—The term ‘county funds’  
8 means all funds an eligible county elects under sec-  
9 tion 102(d) to reserve for expenditure in accordance  
10 with this title.

11              “(2) PARTICIPATING COUNTY.—The term ‘par-  
12 ticipating county’ means an eligible county that  
13 elects under section 102(d) to expend a portion of  
14 the Federal funds received under section 102 in ac-  
15 cordance with this title.

16       **“SEC. 302. USE.**

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

21              “(1) to carry out activities under the Firewise  
22 Communities program to provide to homeowners in  
23 fire-sensitive ecosystems education on, and assist-  
24 ance with implementing, techniques in home siting,  
25 home construction, and home landscaping that can

1       increase the protection of people and property from  
2       wildfires;

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

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

9               “(B) paid for by the participating county;  
10       and

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

14       “(b) PROPOSALS.—A participating county shall use  
15       county funds for a use described in subsection (a) only  
16       after a 45-day public comment period, at the beginning  
17       of which the participating county shall—

18              “(1) publish in any publications of local record  
19       a proposal that describes the proposed use of the  
20       county funds; and

21              “(2) submit the proposal to any resource advi-  
22       sory committee established under section 205 for the  
23       participating county.



1   **“SEC. 303. CERTIFICATION.**

2           “(a) IN GENERAL.—Not later than February 1 of the  
3 year after the year in which any county funds were ex-  
4 pended by a participating county, the appropriate official  
5 of the participating county shall submit to the Secretary  
6 concerned a certification that the county funds expended  
7 in the applicable year have been used for the uses author-  
8 ized under section 302(a), including a description of the  
9 amounts expended and the uses for which the amounts  
10 were expended.

11          “(b) REVIEW.—The Secretary concerned shall review  
12 the certifications submitted under subsection (a) as the  
13 Secretary concerned determines to be appropriate.

14   **“SEC. 304. TERMINATION OF AUTHORITY.**

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

17          “(b) AVAILABILITY.—Any county funds not obligated  
18 by September 30, 2012, shall be returned to the Treasury  
19 of the United States.

20           **“TITLE IV—MISCELLANEOUS**  
21                           **PROVISIONS**

22   **“SEC. 401. REGULATIONS.**

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

1   **“SEC. 402. AUTHORIZATION OF APPROPRIATIONS.**

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

5   **“SEC. 403. TREATMENT OF FUNDS AND REVENUES.**

6           “(a) RELATION TO OTHER APPROPRIATIONS.—  
7 Funds made available under section 402 and funds made  
8 available to a Secretary concerned under section 206 shall  
9 be in addition to any other annual appropriations for the  
10 Forest Service and the Bureau of Land Management.

11          “(b) DEPOSIT OF REVENUES AND OTHER FUNDS.—  
12 All revenues generated from projects pursuant to title II,  
13 including any interest accrued from the revenues, shall be  
14 deposited in the Treasury of the United States.”.

15          (b) FOREST RECEIPT PAYMENTS TO ELIGIBLE  
16 STATES AND COUNTIES.—

17               (1) ACT OF MAY 23, 1908.—The sixth paragraph  
18 under the heading “FOREST SERVICE” in the Act  
19 of May 23, 1908 (16 U.S.C. 500) is amended in the  
20 first sentence by striking “twenty-five percentum”  
21 and all that follows through “shall be paid” and in-  
22 serting the following: “an amount equal to the an-  
23 nual average of 25 percent of all amounts received  
24 for the applicable fiscal year and each of the pre-  
25 ceding 6 fiscal years from each national forest shall  
26 be paid”.

1           (2) WEEKS LAW.—Section 13 of the Act of  
2       March 1, 1911 (commonly known as the “Weeks  
3       Law”) (16 U.S.C. 500) is amended in the first sen-  
4       tence by striking “twenty-five percentum” and all  
5       that follows through “shall be paid” and inserting  
6       the following: “an amount equal to the annual aver-  
7       age of 25 percent of all amounts received for the ap-  
8       plicable fiscal year and each of the preceding 6 fiscal  
9       years from each national forest shall be paid”.

10       (c) PAYMENTS IN LIEU OF TAXES.—

11           (1) IN GENERAL.—Section 6906 of title 31,  
12       United States Code, is amended to read as follows:

13       **“§ 6906. Funding**

14       “For fiscal year 2009—

15           “(1) each county or other eligible unit of local  
16       government shall be entitled to payment under this  
17       chapter; and

18           “(2) sums shall be made available to the Sec-  
19       retary of the Interior for obligation or expenditure in  
20       accordance with this chapter.”.

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

“6906. Funding.”.

25           (3) BUDGET SCOREKEEPING.—

1           (A) IN GENERAL.—Notwithstanding the  
2           Budget Scorekeeping Guidelines and the accom-  
3           panying list of programs and accounts set forth  
4           in the joint explanatory statement of the com-  
5           mittee of conference accompanying Conference  
6           Report 105–217, the amendment made by para-  
7           graph (1) shall be treated in the baseline for  
8           purposes of section 257 of the Balanced Budget  
9           and Emergency Deficit Control Act of 1985 (2  
10          U.S.C. 907) (as in effect before September 30,  
11          2002), by the Chairpersons of the Committee  
12          on the Budget of the House of Representatives  
13          and the Committee on the Budget of the Sen-  
14          ate, as appropriate, for purposes of budget en-  
15          forcement in the House of Representatives and  
16          the Senate, and under the Congressional Budg-  
17          et Act of 1974 (2 U.S.C. 601 et seq.) as if Pay-  
18          ment in Lieu of Taxes (14-1114-0-1-806) were  
19          an account designated as Appropriated Entitle-  
20          ments and Mandatories for Fiscal Year 1997 in  
21          the joint explanatory statement of the com-  
22          mittee of conference accompanying Conference  
23          Report 105-217.

24           (B) EFFECTIVE DATE.—This paragraph  
25          shall—

- 1                   (i) be effective beginning on the date  
2                   of enactment of this Act; and
- 3                   (ii) remain in effect for any fiscal year  
4                   for which the entitlement in section 6906  
5                   of title 31, United States Code (as amend-  
6                   ed by paragraph (1)), applies.