[CHAIRMAN'S DISCUSSION DRAFT]

"Domestic Manufacturing and Energy Jobs Act of 2010"

July 26, 2010

I. ADVANCED MANUFACTURING

Extension and enhancement of Section 48C advanced manufacturing tax credit. The proposal would modify the Section 48C advanced manufacturing tax credit to provide an uncapped thirty percent (30%) investment tax credit for expenditures to re-equip, expand or modify facilities that manufacture and fabricate solar energy property, fuel cell power plants, and advanced energy storage systems (including batteries for advanced vehicles). The proposal would also increase the capped allocation of Section 48C tax credits for other advanced manufacturing facilities by $3 billion. The proposal would clarify that in applying for these tax credits, the Treasury Department must prioritize facilities that manufacture advanced energy equipment (as opposed to merely assembling such equipment). In lieu of this investment tax credit, taxpayers may elect to receive a direct payment equal to eighty-five percent (85%) of the amount of the tax credit. *This proposal is estimated to cost $6.615 billion over 10 years.*

Manufacturers of energy-efficient appliances: The proposal would extend the existing tax credits for domestic manufacturers of energy-efficient appliance credits for three years (through the end of 2013) and would increase the energy-efficiency criteria of appliances that these manufacturers must make in order to be eligible for these tax credits. *This proposal is estimated to cost $268 million over 10 years.*

II. RENEWABLE ENERGY

Extension of direct payment in lieu of production tax credit and investment tax credit program. The proposal would extend for two years (through 2012) and codify the direct payment in lieu of tax credit program that was initially created by Section 1603 of the *American Recovery and Reinvestment Act of* 2009 for renewable energy facilities (e.g., wind, solar, and biomass facilities), combined heat and power facilities, fuel cells and microturbines that qualify for the production tax credit and investment tax credit. Among other technical improvements, the proposal would clarify that real estate investment trusts (REITs) may participate in the program. *This proposal is estimated to cost $2.693 billion over 10 years.*

Investment tax credit for long-term projects involving geothermal and offshore wind energy facilities. The proposal would conform the placed-in-service date for geothermal energy facilities and offshore wind facilities under the investment tax credit with the placed-in-service date for solar facilities (i.e., through 2016). These facilities take longer to build and uncertainty regarding the availability of the tax credit in the future has made it difficult for some long-term projects to obtain financing. *This proposal is estimated to cost $2.293 billion over 10 years.*

Clean Renewable Energy Bonds (CREBs). The proposal would provide an additional $3.5 billion allocation of Clean Renewable Energy Bonds (CREBs) for public power providers and rural electric cooperatives. This $3.5 billion allocation would be allocated 60% to public power providers and 40% to rural electric cooperatives. In addition, the proposal would expand the types of property that can be financed with CREBs to include energy storage systems and certain biogas equipment. *This proposal is estimated to cost $1.391 billion over 10 years.*

Private activity bonds for renewable energy and energy conservation programs (e.g., property-assessed clean energy (PACE) programs). The proposal would allow State and local governments to issue tax-exempt private activity bonds to finance the installation of solar, wind and energy storage property on residential property as part of property-assessed clean energy (PACE) programs. PACE programs are programs in which State and local governments make improvements with respect to private buildings in exchange for an assessment with respect to such building that is intended to recoup the cost of the improvement. *This proposal is estimated to cost $730 million over 10 years.*

III. ENERGY EFFICIENCY AND CONSERVATION

Home Energy Conservation Bonds (HECBs). The proposal would provide $2.4 billion allocation of Home Energy Conservation Bonds (“HECBs”). HECBs are tax credit bonds to provide States and large municipalities with interest-free funds to capitalize long-term programs that provide consumers with low-interest loans and grants for energy-efficiency improvements to existing homes. *This proposal is estimated to cost $1.262 billion over 10 years.*

Residential energy efficient property. Under current law, residential fuel cells are eligible for a thirty percent (30%) investment tax credit (capped at $1,000 per kilowatt hour of capacity). Commercial fuel cells are eligible for a thirty percent (30%) investment tax credit (capped at $3,000 per kilowatt hour of capacity). The proposal would harmonize the capacity limitation of residential fuel cells to the capacity limitation of commercial fuel cells (i.e., $3,000 per kilowatt hour of capacity). Furthermore, the proposal would allow micro-combined heat and power systems to qualify for the thirty percent (30%) investment tax credit for residential energy efficient property. *This proposal is estimated to cost $221 million over 10 years.*

Efficiency improvements to certified historic structures and commercial roofs. The proposal would modify the existing energy-efficient commercial building deduction to provide incentives for taxpayers to increase the energy-efficiency of certified historic structures and to increase the efficiency of commercial roofs. In the case of certified historic structures, the proposal would allow taxpayers that meet certain energy-efficiency objectives to receive an enhanced deduction of $3.00 per square foot of the building for meeting these objectives with respect to the entire building or $1.00 per square foot of the building for meeting specific objectives in any of the following building systems: (1) the interior lighting systems; (2) the heating, cooling, ventilation, and hot water systems; and (3) the building envelope. In the case of commercial roofs, the proposal would allow taxpayers to claim a portion of the deduction allowable for the building envelope if the roof meets certain efficiency objectives. *This proposal is estimated to cost $71 million over 10 years.*

Competitively-awarded renewable energy and conservation project credit. The proposal would create a program to competitively award $2 billion of investment tax credits to support taxpayer efforts to improve domestic energy efficiency and identify new sources of renewable energy. Under this program, taxpayers would be able to compete for (1) $850 million of investment tax credits for energy efficiency improvements to manufacturing facilities, (2) $500 million of investment tax credits for energy storage equipment and advanced transmission lines that increase the integration of renewable electricity and enhance electric transmission efficiency, (3) $250 million of investment tax credits for facilities that recycle municipal waste into fuel; (4) $150 million of investment tax credits for facilities that extract oil from used plastics, re-refine used oil, or convert post-industrial waste into energy or alternative fuels; and (5) $250 million of investment tax credits for the construction of anaerobic digesters. The Department of the Treasury will make awards under this program in consultation with the Department of Energy and the Environmental Protection Administration through a competitive application process similar to the process that the Administration used to award tax credits to manufacturing facilities under Section 48C. In lieu of this investment tax credit, awardees may elect to receive a direct payment equal to eighty-five (85%) of the amount of the awarded tax credit. *This proposal is estimated to cost $1.759 billion over 10 years.*

IV. TRANSPORTATION

Tax credit for heavy natural gas vehicles and heavy hybrid vehicles. The proposal would provide tax incentives to consumers that purchase heavy natural gas vehicles and heavy hybrid vehicles (i.e., vehicles over 8,500 pounds). Under the proposal, consumers would receive a tax credit equal to eighty percent (80%) of the incremental cost (subject to a cap) of purchasing a heavy natural gas vehicle or a heavy hybrid vehicle relative to a comparable gasoline or diesel fuel motor vehicle. In the case of 90/10 mixed fuel vehicles and 65/35 mixed-fuel vehicles, taxpayers would qualify for a reduced tax credit – ninety percent (90%) of the otherwise allowable credit in the case of a 90/10 mixed-fuel vehicle and sixty-five percent (65%) of the otherwise allowable credit in the case of a 65/35 mixed-fuel vehicle. *This proposal is estimated to cost $1.409 billion over 10 years.*

Extension and modification of alternative vehicle refueling property tax credits. The proposal would extend the fifty percent (50%) investment tax credit for alternative vehicle refueling property for three years (through 2013). The proposal would also make modifications clarifying the availability of this credit for electric vehicle refueling pump property and for property that fuels non-motor vehicles that run on hydrogen fuel cells. *This proposal is estimated to cost $69 million over 10 years.*

Parity for mass-transit fringe benefits. The proposal would extend for one year (through 2011) the current law increase in the fringe benefit for mass transit. Under current law, the mass transit fringe benefit is equal to the parking transportation fringe benefit. Absent additional action, the mass transit fringe benefit will be reduced in 2011. The proposal would also revise the interaction between the bicycle commuter fringe benefit and the mass transit fringe benefit. *This proposal is estimated to cost $160 million over 10 years.*

New York Liberty Zone Tax Credits. The proposal would implement a transportation proposal included in both President Bush's and President Obama's Annual Budgets to restructure disaster relief that was provided to the City of New York and the State of New York to rebuild Ground Zero in the wake of the September 11th terrorist attacks on Lower Manhattan. Because these benefits have not served their intended purpose, the President asked Congress to provide the City of New York and the State of New York with tax credits for expenditures made for mass transit projects connecting with the New York Liberty Zone. *This proposal is estimated to cost $1.151 billion over 10 years.*

V. BIOFUELS AND ALTERNATIVE FUELS

Ethanol. The proposal would extend for one year (through 2011) the per gallon tax credits and outlay payments for ethanol at a reduced rate (36 cents per gallon). The proposal would also extend for one year (through 2011) the existing 14.27 cents per liter (54 cents per gallon) tariff on imported ethanol and the related 5.99 cents per liter (22.67 cents per gallon) tariff on ethyl tertiary-butyl ether (ETBE). *This proposal is estimated to cost $3.774 billion over 10 years.*

Biodiesel and renewable diesel. The proposal would reinstate for 2011 the per gallon tax credits and outlay payments for biodiesel and renewable diesel. The extension of these tax credits and outlay payments for 2010 has previously passed both the House of Representatives and the Senate at different times but has not become law. The extension for 2010 would be incorporated into this legislation if that extension has not been enacted by the time this legislation is considered. *This proposal is estimated to cost $1.108 billion over 10 years.*

Liquid fuels derived from biomass, biogas, natural gas and propane. The proposal would reinstate for 2011 the per gallon tax credits and outlay payments for natural gas, propane (other than for use in a forklift), compressed biogas and liquid fuel derived from biomass (other than black liquor) used as a fuel for 2011. The extension of these tax credits and outlay payments for

2010 has previously passed both the House of Representatives and the Senate at different times but has not become law. The extension for 2010 would be incorporated into this legislation if that extension has not been enacted by the time this legislation is considered. *This proposal is estimated to cost $97 million over 10 years.*

Algae treated as a qualifying feedstock for cellulosic biofuel producer credit: The proposal would allow algae-based fuels to qualify for $1.01 per gallon tax credit for producers of cellulosic biofuel. The proposal would also clarify that the cellulosic biofuel producer credit is awarded to taxpayers that make crude oil from algae if this oil is subsequently refined into a fuel. *This proposal is estimated to have a negligible revenue impact over 10 years.*

Investment tax credit in lieu of cellulosic biofuel producer credit: Under current law, producers of cellulosic biofuel are allowed to claim a $1.01 tax credit for each gallon of cellulosic biofuel that they produce and sell for use as a fuel. Under the proposal, producers of cellulosic biofuel or algae-based biofuel (collectively, "second generation biofuel"), would be allowed to elect to receive a thirty-percent (30%) investment tax credit for property (including property affixed to a traditional ethanol facility) that is used exclusively to produce second generation biofuel. This investment tax credit would be provided in lieu of any other per gallon tax credits and outlay payments that would be available for biofuel produced by that property. Any taxpayer making this election would also be allowed to elect to participate in the direct payment in lieu of investment tax credits program. *This proposal is estimated to cost $65 million over 10 years.*

VI. STUDIES

Study of tax expenditures. The bill would direct the Chief of Staff of the Joint Committee on Taxation, in consultation with the Comptroller General of the United States, to submit a report analyzing various aspects of the tax expenditures included in this Act to the Committee on Ways and Means and the Committee on Finance. *This proposal has no revenue effect.*

Report on competitively-awarded tax credits. The bill would direct the Secretary of the Treasury to submit a report on the competitively-awarded credits provided under sections 48C or 48E of the Code included in this Act (or direct payments made in lieu of such credits) to the Committee on Ways and Means and the Committee on Finance. *This proposal has no revenue effect.*

Study of biogas. The bill would direct the Secretary of the Treasury to enter into an agreement with the National Renewable Energy Laboratory to undertake a study of biogas. A written report containing the findings of the study shall be submitted to Committee on Ways and Means and the Committee on Finance. *This proposal has no revenue effect.*