

110TH CONGRESS  
1ST SESSION

# S. 1531

To amend the Internal Revenue Code of 1986 to provide incentives and extend existing incentives for the production and use of renewable energy resources, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

MAY 25, 2007

Mr. REID (for himself, Mr. ALLARD, and Mr. SALAZAR) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide incentives and extend existing incentives for the production and use of renewable energy resources, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; REFERENCES, TABLE OF CON-**  
4 **TENTS.**

5 (a) SHORT TITLE.—This Act may be cited as the  
6 “Clean Renewable Energy and Economic Development In-  
7 centives Act of 2007”.

1 (b) AMENDMENT OF 1986 CODE.—Except as other-  
 2 wise expressly provided, whenever in this title an amend-  
 3 ment or repeal is expressed in terms of an amendment  
 4 to, or repeal of, a section or other provision, the reference  
 5 shall be considered to be made to a section or other provi-  
 6 sion of the Internal Revenue Code of 1986.

7 (c) TABLE OF CONTENTS.—The table of contents of  
 8 this Act is as follows:

Sec. 1. Short title; references, table of contents.

TITLE I—TAX INCENTIVES FOR ENERGY CONSERVATION AND  
 EXPLORATION

- Sec. 101. Extension of renewable electricity production credit.
- Sec. 102. Extension and modification of clean renewable energy bond credit.
- Sec. 103. Water conservation, reuse and efficiency bonds.
- Sec. 104. Credit for geothermal exploration expenditures.
- Sec. 105. Credit for wind energy systems.
- Sec. 106. Extension and modification of new energy efficient home credit.
- Sec. 107. Investment tax credit for advanced battery production.
- Sec. 108. Qualified renewable school energy bonds.
- Sec. 109. Treatment of bonds issued to finance renewable energy resource fa-  
 cilities.

TITLE II—INVESTMENT TAX CREDIT WITH RESPECT TO SOLAR  
 ENERGY PROPERTY AND MANUFACTURING

Subtitle A—Solar Energy Property

- Sec. 201. Energy credit with respect to solar energy property.
- Sec. 202. Repeal of exclusion for solar and geothermal public utility property  
 under energy credit.
- Sec. 203. Permanent extension and modification of credit for residential energy  
 efficient property.
- Sec. 204. 3-year accelerated depreciation period for solar energy property.

Subtitle B—Promotion of Solar Manufacturing in the United States

- Sec. 211. Solar manufacturing credit.

1 **TITLE I—TAX INCENTIVES FOR**  
2 **ENERGY CONSERVATION AND**  
3 **EXPLORATION**

4 **SEC. 101. EXTENSION OF RENEWABLE ELECTRICITY PRO-**  
5 **DUCTION CREDIT.**

6 (a) IN GENERAL.—Paragraphs (1), (2), (3), (4), (5),  
7 (6), (7), and (9) of section 45(d) (relating to qualified fa-  
8 cilities) are amended by striking “January 1, 2009” each  
9 place it appears and inserting “January 1, 2019”.

10 (b) DEEMED PLACED-IN-SERVICE DATE FOR RE-  
11 NEWABLE ELECTRICITY FACILITIES.—Section 45(e) (re-  
12 lating to definitions and special rules) is amended by add-  
13 ing at the end the following new paragraph:

14 “(12) DEEMED PLACED-IN-SERVICE DATE FOR  
15 CERTAIN FACILITIES.—

16 “(A) IN GENERAL.—In the case of any fa-  
17 cility described in paragraph (1), (2), (3), (4)  
18 (respect to geothermal energy), (5), (6), (7), or  
19 (9), for purposes of such paragraph, such facil-  
20 ity shall be treated as being placed in service  
21 before January 1, 2019, if such facility is under  
22 construction before such date and is producing  
23 and selling electricity within 2 years after such  
24 date.

1           “(B) PERIOD OF CREDIT.—If a facility is  
 2           treated as placed in service pursuant to sub-  
 3           paragraph (A), the 10-year period referred to in  
 4           subsection (a) shall be treated as beginning on  
 5           January 1, 2019.”.

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

9           **SEC. 102. EXTENSION AND MODIFICATION OF CLEAN RE-**  
 10           **NEWABLE ENERGY BOND CREDIT.**

11           (a) EXTENSION.—Subsection 54(m) (relating to ter-  
 12           mination) is amended by striking “2008” and inserting  
 13           “2018”.

14           (b) ANNUAL VOLUME CAP FOR BONDS ISSUED DUR-  
 15           ING EXTENSION PERIOD.—Paragraph (1) of subsection  
 16           54(f) (relating to national limitation) is amended to read  
 17           as follows:

18           “NATIONAL LIMITATION.—

19           “(A) INITIAL NATIONAL LIMITATION.—  
 20           With respect to bonds issued after December  
 21           31, 2005, and before January 1, 2009, there is  
 22           a national clean renewable energy bond limita-  
 23           tion of \$1,200,000,000.

24           “(B) ANNUAL NATIONAL LIMITATION.—  
 25           With respect to bonds issued after December

1           31, 2008, and before January 1, 2019, there is  
2           a national clean renewable energy bond limita-  
3           tion for each calendar year of  
4           \$1,000,000,000.”.

5           (c) ALLOCATION BY SECRETARY.—Paragraph (2) of  
6 subsection 54(f) (relating to allocation by Secretary) is  
7 amended by striking “, except that the Secretary” and in-  
8 serting “, except that, in the case of bonds issued under  
9 paragraph (1)(A), the Secretary”.

10          (d) PUBLICITY REGARDING ALLOCATION OF CLEAN  
11 RENEWABLE ENERGY BONDS.—

12           (1) IN GENERAL.—Section 54 is amended by  
13 redesignating subsection (m) as subsection (n) and  
14 by inserting after subsection (l) the following new  
15 subsection:

16          “(m) PUBLICITY REGARDING ALLOCATION OF  
17 CLEAN RENEWABLE ENERGY BONDS.—The Secretary  
18 shall prepare a report not later than 1 year after each  
19 allocation under subsection (f) to Congress, and make  
20 such report publicly available, which with respect to such  
21 allocation identifies the name of each applicant for such  
22 allocation, the name of the borrower (if other than the  
23 applicant), the type and location of the project that is the  
24 subject of such application, and the amount of the alloca-

1 tion under subsection (f) for such project in the event the  
2 project receives such an allocation.”.

3 (2) **EFFECTIVE DATE.**—The amendments made  
4 by this subsection shall apply to applications for al-  
5 locations made after the date of the enactment of  
6 this Act.

7 (e) **EFFECTIVE DATE.**—Except as otherwise pro-  
8 vided, the amendments made by this section shall apply  
9 to bonds issued after December 31, 2007.

10 **SEC. 103. WATER CONSERVATION, REUSE AND EFFICIENCY**

11 **BONDS.**

12 (a) **IN GENERAL.**—Subpart H of part IV of sub-  
13 chapter A of chapter 1 (relating to credits against tax)  
14 is amended by adding at the end the following new section:

15 **“SEC. 54A. CREDIT TO HOLDERS OF WATER CONSERVA-**  
16 **TION, REUSE AND EFFICIENCY BONDS.**

17 “(a) **ALLOWANCE OF CREDIT.**—If a taxpayer holds  
18 a water conservation, reuse and efficiency bond on 1 or  
19 more credit allowance dates of the bond occurring during  
20 any taxable year, there shall be allowed as a credit against  
21 the tax imposed by this chapter for the taxable year an  
22 amount equal to the sum of the credits determined under  
23 subsection (b) with respect to such dates.

24 “(b) **AMOUNT OF CREDIT.**—

1           “(1) IN GENERAL.—The amount of the credit  
2           determined under this subsection with respect to any  
3           credit allowance date for a water conservation, reuse  
4           and efficiency bond is 25 percent of the annual cred-  
5           it determined with respect to such bond.

6           “(2) ANNUAL CREDIT.—The annual credit de-  
7           termined with respect to any water conservation,  
8           reuse and efficiency bond is the product of—

9                   “(A) the credit rate determined by the Sec-  
10                  retary under paragraph (3) for the day on  
11                  which such bond was sold, multiplied by

12                   “(B) the outstanding face amount of the  
13                  bond.

14           “(3) DETERMINATION.—For purposes of para-  
15           graph (2), with respect to any water conservation,  
16           reuse and efficiency bond, the Secretary shall deter-  
17           mine daily or cause to be determined daily a credit  
18           rate which shall apply to the first day on which  
19           there is a binding, written contract for the sale or  
20           exchange of the bond. The credit rate for any day  
21           is the credit rate which the Secretary or the Sec-  
22           retary’s designee estimates will permit the issuance  
23           of water conservation, reuse and efficiency bonds  
24           with a specified maturity or redemption date without

1 discount and without interest cost to the qualified  
2 issuer.

3 “(4) CREDIT ALLOWANCE DATE.—For purposes  
4 of this section, the term ‘credit allowance date’  
5 means—

6 “(A) March 15,

7 “(B) June 15,

8 “(C) September 15, and

9 “(D) December 15.

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

12 “(5) SPECIAL RULE FOR ISSUANCE AND RE-  
13 DEMPTION.—In the case of a bond which is issued  
14 during the 3-month period ending on a credit allow-  
15 ance date, the amount of the credit determined  
16 under this subsection with respect to such credit al-  
17 lowance date shall be a ratable portion of the credit  
18 otherwise determined based on the portion of the 3-  
19 month period during which the bond is outstanding.  
20 A similar rule shall apply when the bond is redeemed  
21 or matures.

22 “(c) LIMITATION BASED ON AMOUNT OF TAX.—The  
23 credit allowed under subsection (a) for any taxable year  
24 shall not exceed the excess of—



1           “(1) the sum of the regular tax liability (as de-  
2           fined in section 26(b)) plus the tax imposed by sec-  
3           tion 55, over,

4           “(2) the sum of the credits allowable under this  
5           part (other than subpart C, section 1400N(l), and  
6           this section).

7           “(d) WATER CONSERVATION, REUSE AND EFFI-  
8           CIENCY BOND.—For purposes of this section—

9           “(1) IN GENERAL.—The term ‘water conserva-  
10           tion, reuse and efficiency bond’ means any bond  
11           issued as part of an issue if—

12           “(A) the bond is issued by a qualified  
13           issuer pursuant to an allocation by the Sec-  
14           retary to such issuer of a portion of the na-  
15           tional water conservation, reuse and efficiency  
16           bond limitation under subsection (f)(2),

17           “(B) 95 percent or more of the proceeds of  
18           such issue are to be used for capital expendi-  
19           tures incurred by qualified borrowers for 1 or  
20           more qualified projects,

21           “(C) the qualified issuer designates such  
22           bond for purposes of this section and the bond  
23           is in registered form, and

24           “(D) the issue meets the requirements of  
25           subsection (h).

1           “(2) QUALIFIED PROJECT; SPECIAL USE  
2 RULES.—

3           “(A) IN GENERAL.—The term ‘qualified  
4 project’ means any rural water supply project  
5 (as defined in section 102(9) of the Rural  
6 Water Supply Act of 2006), owned by a quali-  
7 fied borrower, and which may include prepara-  
8 tion and implementation of water conservation  
9 plans, development and deployment of water ef-  
10 ficient products and processes, and xeriscaping  
11 projects consistent with that section.

12           “(B) REFINANCING RULES.—For purposes  
13 of paragraph (1)(B), a qualified project may be  
14 refinanced with proceeds of a water conserva-  
15 tion, reuse and efficiency bond only if the in-  
16 debtedness being refinanced (including any obli-  
17 gation directly or indirectly refinanced by such  
18 indebtedness) was originally incurred by a  
19 qualified borrower after the date of the enact-  
20 ment of this section.

21           “(C) REIMBURSEMENT.—For purposes of  
22 paragraph (1)(B), a water conservation, reuse  
23 and efficiency bond may be issued to reimburse  
24 a qualified borrower for amounts paid after the

1 date of the enactment of this section with re-  
2 spect to a qualified project, but only if—

3 “(i) prior to the payment of the origi-  
4 nal expenditure, the qualified borrower de-  
5 clared its intent to reimburse such expendi-  
6 ture with the proceeds of a water conserva-  
7 tion, reuse and efficiency bond,

8 “(ii) not later than 60 days after pay-  
9 ment of the original expenditure, the quali-  
10 fied issuer adopts an official intent to re-  
11 imburse the original expenditure with such  
12 proceeds, and

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

16 “(D) TREATMENT OF CHANGES IN USE.—  
17 For purposes of paragraph (1)(B), the proceeds  
18 of an issue shall not be treated as used for a  
19 qualified project to the extent that a qualified  
20 borrower or qualified issuer takes any action  
21 within its control which causes such proceeds  
22 not to be used for a qualified project. The Sec-  
23 retary shall prescribe regulations specifying re-  
24 medial actions that may be taken (including  
25 conditions to taking such remedial actions) to

1           prevent an action described in the preceding  
2           sentence from causing a bond to fail to be a  
3           water conservation, reuse and efficiency bond.

4           “(e) MATURITY LIMITATIONS.—

5           “(1) DURATION OF TERM.—A bond shall not be  
6           treated as a water conservation, reuse and efficiency  
7           bond if the maturity of such bond exceeds the max-  
8           imum term determined by the Secretary under para-  
9           graph (2) with respect to such bond.

10          “(2) MAXIMUM TERM.—During each calendar  
11          month, the Secretary shall determine the maximum  
12          term permitted under this paragraph for bonds  
13          issued during the following calendar month. Such  
14          maximum term shall be the term which the Sec-  
15          retary estimates will result in the present value of  
16          the obligation to repay the principal on the bond  
17          being equal to 50 percent of the face amount of such  
18          bond. Such present value shall be determined with-  
19          out regard to the requirements of subsection (l)(6)  
20          and using as a discount rate the average annual in-  
21          terest rate of tax-exempt obligations having a term  
22          of 10 years or more which are issued during the  
23          month. If the term as so determined is not a mul-  
24          tiple of a whole year, such term shall be rounded to  
25          the next highest whole year.

1       “(f) LIMITATION ON AMOUNT OF BONDS DES-  
2   IGNATED.—

3               “(1) NATIONAL LIMITATION.—There is a na-  
4   tional water conservation, reuse and efficiency bond  
5   limitation of \$500,000,000 for each of the 10 cal-  
6   endar years beginning after the date of enactment of  
7   this section.

8               “(2) ALLOCATION BY SECRETARY.—The Sec-  
9   retary shall allocate the amount described in para-  
10   graph (1) among qualified projects in such manner  
11   as the Secretary determines appropriate, except that  
12   the Secretary shall allocate the bond limitation for  
13   the financing of qualified projects in as geographi-  
14   cally diverse a manner as practicable.

15       “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
16   income includes the amount of the credit allowed to the  
17   taxpayer under this section (determined without regard to  
18   subsection (c)), and the amount so included shall be treat-  
19   ed as interest income.

20       “(h) SPECIAL RULES RELATING TO EXPENDI-  
21   TURES.—

22               “(1) IN GENERAL.—An issue shall be treated as  
23   meeting the requirements of this subsection if, as of  
24   the date of issuance, the qualified issuer reasonably  
25   expects—

1           “(A) at least 95 percent of the proceeds of  
2 such issue are to be spent for 1 or more quali-  
3 fied projects within the 5-year period beginning  
4 on the date of issuance of the water conserva-  
5 tion, reuse and efficiency bond,

6           “(B) a binding commitment with a 3rd  
7 party to spend at least 10 percent of the pro-  
8 ceeds of such issue will be incurred within the  
9 6-month period beginning on the date of  
10 issuance of the water conservation, reuse and  
11 efficiency bond or, in the case of a water con-  
12 servation, reuse and efficiency bond the pro-  
13 ceeds of which are to be loaned to 2 or more  
14 qualified borrowers, such binding commitment  
15 will be incurred within the 6-month period be-  
16 ginning on the date of the loan of such proceeds  
17 to a qualified borrower, and

18           “(C) such projects will be completed with  
19 due diligence and the proceeds of such issue will  
20 be spent with due diligence.

21           “(2) EXTENSION OF PERIOD.—Upon submis-  
22 sion of a request prior to the expiration of the period  
23 described in paragraph (1)(A), the Secretary may  
24 extend such period if the qualified issuer establishes  
25 that the failure to satisfy the 5-year requirement is

1 due to reasonable cause and the related projects will  
2 continue to proceed with due diligence.

3 “(3) FAILURE TO SPEND REQUIRED AMOUNT  
4 OF BOND PROCEEDS WITHIN 5 YEARS.—To the ex-  
5 tent that less than 95 percent of the proceeds of  
6 such issue are expended by the close of the 5-year  
7 period beginning on the date of issuance (or if an  
8 extension has been obtained under paragraph (2), by  
9 the close of the extended period), the qualified issuer  
10 shall redeem all of the nonqualified bonds within 90  
11 days after the end of such period. For purposes of  
12 this paragraph, the amount of the nonqualified  
13 bonds required to be redeemed shall be determined  
14 in the same manner as under section 142.

15 “(i) SPECIAL RULES RELATING TO ARBITRAGE.—A  
16 bond which is part of an issue shall not be treated as a  
17 water conservation, reuse and efficiency bond unless, with  
18 respect to the issue of which the bond is a part, the quali-  
19 fied issuer satisfies the arbitrage requirements of section  
20 148 with respect to proceeds of the issue.

21 “(j) MUNICIPAL WATER DISTRICT; QUALIFIED  
22 WATER SYSTEMS TAX CREDIT BOND LENDER; GOVERN-  
23 MENTAL BODY; QUALIFIED BORROWER.—For purposes of  
24 this section—

1           “(1) MUNICIPAL WATER DISTRICT.—The term  
2           ‘municipal water district’ shall mean a non-profit  
3           private or public entity operated for the purpose of  
4           implementing rural water supply projects (as defined  
5           in section 102(9) of the Rural Water Supply Act of  
6           2006).

7           “(2) QUALIFIED WATER SYSTEMS BOND LEND-  
8           ER.—The term ‘qualified water systems bond lender’  
9           means a lender which is a municipal water district  
10          or a public water system which is owned by a gov-  
11          ernmental body, and shall include any affiliated enti-  
12          ty which is controlled by such lender.

13          “(3) GOVERNMENTAL BODY.—The term ‘gov-  
14          ernmental body’ means any State, territory, or pos-  
15          session of the United States, the District of Colum-  
16          bia, Indian tribal government, and any political sub-  
17          division thereof.

18          “(4) QUALIFIED ISSUER.—The term ‘qualified  
19          issuer’ means—

20                  “(A) a qualified water systems bond lend-  
21                  er,

22                  “(B) a municipal water district, or

23                  “(C) a governmental body.

24          “(5) QUALIFIED BORROWER.—The term ‘quali-  
25          fied borrower’ means—



1                   “(A) a municipal water district, or

2                   “(B) a governmental body.

3           “(k) SPECIAL RULES RELATING TO POOL BONDS.—

4 No portion of a pooled financing bond may be allocable  
5 to any loan unless the borrower has entered into a written  
6 loan commitment for such portion prior to the issue date  
7 of such issue.

8           “(l) OTHER DEFINITIONS AND SPECIAL RULES.—

9 For purposes of this section—

10           “(1) BOND.—The term ‘bond’ includes any ob-  
11 ligation.

12           “(2) POOLED FINANCING BOND.—The term  
13 ‘pooled financing bond’ shall have the meaning given  
14 such term by section 149(f)(4)(A).

15           “(3) PARTNERSHIP; S CORPORATION; AND  
16 OTHER PASS-THRU ENTITIES.—

17           “(A) IN GENERAL.—Under regulations  
18 prescribed by the Secretary, in the case of a  
19 partnership, trusts corporation, or other pass-  
20 thru entity, rules similar to the rules of section  
21 41(g) shall apply with respect to the credit al-  
22 lowable under subsection (a).

23           “(B) NO BASIS ADJUSTMENT.—In the case  
24 of a bond held by a partnership or and corpora-

1           tion, rules similar to the rules under section  
2           1397E(i) shall apply.

3           “(4) BONDS HELD BY REGULATED INVEST-  
4           MENT COMPANIES.—If any water conservation, reuse  
5           and efficiency bond is held by a regulated investment  
6           company, the credit determined under subsection (a)  
7           shall be allowed to shareholders of such company  
8           under procedures prescribed by the Secretary.

9           “(5) RATABLE PRINCIPAL AMORTIZATION RE-  
10          QUIRED.—A bond shall not be treated as a water  
11          conservation, reuse and efficiency bond unless it is  
12          part of an issue which provides for an equal amount  
13          of principal to be paid by the qualified issuer during  
14          each calendar year that the issue is outstanding.

15          “(6) REPORTING.—Issuers of water conserva-  
16          tion, reuse and efficiency bonds shall submit reports  
17          similar to the reports required under section 149(e).

18          “(m) TERMINATION.—This section shall not apply  
19          with respect to any bond issued after the tenth calendar  
20          year beginning after the date of the enactment of this sec-  
21          tion.”.

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

1           “(9) REPORTING OF CREDIT ON WATER CON-  
2           SERVATION, REUSE AND EFFICIENCY 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(g)  
6           and such amounts shall be treated as paid on  
7           the credit allowance date (as defined in section  
8           54A(b)(4)).

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), subsection (b)(4) shall be  
13          applied without regard to subparagraphs (A),  
14          (H), (I), (J), (K), and (L)(i) of such subsection.

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

21          (c) CONFORMING AMENDMENT.—The table of sec-  
22          tions for subpart H of part IV of subchapter A of chapter  
23          1 is amended by adding at the end the following new item:

          “Sec. 54A. Credit to holders of water conservation, reuse and efficiency  
          bonds.”.

1 (d) ISSUANCE OF REGULATIONS.—The Secretary of  
2 the Treasury shall issue regulations required under section  
3 54A (as added by this section) not later than 120 days  
4 after the date of the enactment of this Act.

5 (e) REPORT ON USE OF BOND AUTHORITY.—On  
6 April 1, 2008, and annually thereafter, the Secretary of  
7 Treasury shall submit a report to Congress including the  
8 number of applications for bonding authority received,  
9 granted and identifying the purposes and expected effects  
10 of projects supported by the bonding authority in the pre-  
11 vious calendar year.

12 (f) EFFECTIVE DATE.—The amendments made by  
13 this section shall apply to bonds issued after December  
14 31, 2007.

15 **SEC. 104. CREDIT FOR GEOTHERMAL EXPLORATION EX-**  
16 **PENDITURES.**

17 (a) IN GENERAL.—Subpart D of part IV of sub-  
18 chapter A of chapter 1 (relating to business related cred-  
19 its) is amended by adding at the end the following new  
20 section:

21 **“SEC. 450. CREDIT FOR GEOTHERMAL EXPLORATION EX-**  
22 **PENDITURES.**

23 “(a) IN GENERAL.—For purposes of section 38, the  
24 geothermal exploration expenditures credit for any taxable  
25 year is an amount equal to 10 percent of the qualifying

1 geothermal exploration expenditures paid or incurred by  
2 the taxpayer during such taxable year.

3 “(b) QUALIFYING GEOTHERMAL EXPLORATION EX-  
4 PENDITURES.—For purposes of this section—

5 “(1) IN GENERAL.—The term ‘qualifying geo-  
6 thermal exploration expenditures’ means expendi-  
7 tures for drilling exploratory wells for geothermal  
8 deposits (as defined by section 613(e)(2)).

9 “(2) EXCEPTION.—Such term shall not include  
10 expenditures for any equipment used to produce, dis-  
11 tribute, or use energy derived from a geothermal de-  
12 posit (as so defined) for which a credit is allowable  
13 under section 46 by reason of section 48.

14 “(c) SPECIAL RULES.—

15 “(1) BASIS REDUCTION.—For purposes of this  
16 subtitle, the basis of any property for which a credit  
17 is allowed under this section shall be reduced by the  
18 amount of the credit so allowed.

19 “(2) DENIAL OF DOUBLE BENEFIT.—No deduc-  
20 tion or credit (other than under section 45) shall be  
21 allowed under this subtitle with respect to any ex-  
22 penditures for which a credit is allowed under this  
23 section.”.

24 (b) CREDIT MADE PART OF GENERAL BUSINESS  
25 CREDIT.—Section 38(b) (relating to current year business

1 credit) is amended by striking “plus” at the end of para-  
 2 graph (30), by striking the period at the end of paragraph  
 3 (31) and inserting “, plus”, and by adding at the end the  
 4 following new paragraph:

5           “(32) the geothermal exploration expenditures  
 6           credit determined under section 45O(a).”.

7           (c) CLERICAL AMENDMENT.—The table of sections  
 8 for subpart D of part IV of subchapter A of chapter 1  
 9 is amended by inserting after the item relating to section  
 10 45N the following new item:

“Sec. 45O. Credit for geothermal exploration expenditures.”.

11           (d) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to expenditures made in taxable  
 13 years beginning after the date of the enactment of this  
 14 Act.

15 **SEC. 105. CREDIT FOR WIND ENERGY SYSTEMS.**

16           (a) RESIDENTIAL.—

17           (1) IN GENERAL.—Section 25D(a) is amended  
 18 by striking “and” at the end of paragraph (2), by  
 19 striking the period at the end of paragraph (3) and  
 20 inserting “, and”, and by adding at the end the fol-  
 21 lowing new paragraph:

22           “(4) 30 percent of the qualified small wind en-  
 23 ergy property expenditures made by the taxpayer  
 24 during such year.”.

1           (2) LIMITATION.—Section 25D(b)(1) is amend-  
2 ed by striking “and” at the end of subparagraph  
3 (B), by striking the period at the end of subpara-  
4 graph (A) and inserting “, and”, and by adding at  
5 the end the following new subparagraph:

6           “(D) \$500 with respect to each half kilo-  
7 watt of capacity (not to exceed \$5,000) of  
8 qualifying wind turbines for which qualified  
9 small wind energy property expenditures are  
10 made.”.

11           (3) QUALIFIED SMALL WIND ENERGY PROP-  
12 erty EXPENDITURES.—Section 25D(d) is amended  
13 by adding at the end the following new paragraph:

14           “(4) QUALIFIED SMALL WIND ENERGY PROP-  
15 erty EXPENDITURE.—

16           “(A) IN GENERAL.—The term ‘qualified  
17 wind energy property expenditure’ means an ex-  
18 penditure for property which uses a qualifying  
19 wind turbine to generate electricity for use in  
20 connection with a dwelling unit located in the  
21 United States and used as a residence by the  
22 taxpayer.

23           “(B) QUALIFYING WIND TURBINE.—The  
24 term ‘qualifying wind turbine’ means a wind  
25 turbine of 100 kilowatts of rated capacity or

1 less which meets the latest performance rating  
2 standards published by the American Wind En-  
3 ergy Association and which is used to generate  
4 electricity and carries at least a 5-year limited  
5 warranty covering defects in design, material,  
6 or workmanship, and, for property that is not  
7 installed by the taxpayer, at least a 5-year lim-  
8 ited warranty covering defects in installation.”.

9 (b) BUSINESS.—Section 48(a)(3)(A) (defining energy  
10 property) is amended by striking “or” at the end of clause  
11 (iii), by adding “or” at the end of clause (iv), and by in-  
12 serting after clause (iv) the following new clause:

13 “(v) qualifying wind turbine (as de-  
14 fined in section 25D(d)(B)),”.

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

19 **SEC. 106. EXTENSION AND MODIFICATION OF NEW ENERGY**  
20 **EFFICIENT HOME CREDIT.**

21 (a) EXTENSION.—Subsection (g) of section 45L (re-  
22 lating to termination) is amended by striking “2008” and  
23 inserting “2013”.



1 (b) INCREASE OF CREDIT.—Paragraph (2) of sub-  
 2 section 45L(a) (relating to applicable amount) is amended  
 3 to read as follows:

4 “(2) APPLICABLE AMOUNT.—For purposes of  
 5 paragraph (1), the applicable amount is an amount  
 6 equal to, in the case of a dwelling unit described  
 7 in—

8 “(A) subsection (c)(1), \$4,000,

9 “(B) subsection (c)(2), \$2,000, and

10 “(C) subsection (c)(3), \$1,000.”.

11 (c) EFFECTIVE DATE.—The amendments made by  
 12 this section shall apply to qualified new energy efficient  
 13 homes acquired after the date of the enactment of this  
 14 Act, in taxable years ending after such date.

15 **SEC. 107. INVESTMENT TAX CREDIT FOR ADVANCED BAT-**  
 16 **TERY PRODUCTION.**

17 (a) IN GENERAL.—Section 48(a)(3)(A) is amended—

18 (1) by striking “or” at the end of clause (iii),

19 (2) by inserting “or” at the end of clause (iv),

20 and

21 (3) by inserting after clause (iv) the following

22 new clause:

23 “(v) equipment used to produce at

24 least 75 percent of any advanced battery

1 and related power electronics intended for  
2 use in—

3 “(I) any qualified electric vehicle  
4 (as defined in section 30(c)(1)(A)) or  
5 new qualified hybrid motor vehicle (as  
6 defined in section 30B(d)(3)(A), with-  
7 out regard to clauses (v) and (vi)  
8 thereof), or

9 “(II) any grid-enabled or distrib-  
10 uted residential or small commercial  
11 application,”.

12 (b) RATE OF ENERGY PERCENTAGE.—Section  
13 48(a)(2)(A) is amended—

14 (1) by striking “and” at the end of clause  
15 (i)(III),

16 (2) by striking “clause (i)” in clause (ii) and in-  
17 serting “clause (i) or clause (ii)”,

18 (3) by redesignating clause (ii) as clause (iii),

19 and

20 (4) by inserting after clause (i) the following  
21 new clause:

22 “(ii) 20 percent in the case of energy  
23 property described in paragraph (3)(A)(v),  
24 and”.

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. 108. QUALIFIED RENEWABLE SCHOOL ENERGY**  
5 **BONDS.**

6 (a) IN GENERAL.—Subchapter U of chapter 1 (relat-  
7 ing to incentives for education zones) is amended by redес-  
8 ignating section 1397F as section 1397G and by adding  
9 at the end of part IV of such subchapter the following  
10 new section:

11 **“SEC. 1397F. QUALIFIED RENEWABLE SCHOOL ENERGY**  
12 **BONDS.**

13 “(a) ALLOWANCE OF CREDIT.—If a taxpayer holds  
14 a qualified renewable school energy bond on 1 or more  
15 credit allowance dates of the bond occurring during any  
16 taxable year, there shall be allowed as a credit against the  
17 tax imposed by this chapter for the taxable year an  
18 amount equal to the sum of the credits determined under  
19 subsection (b) with respect to such dates.

20 “(b) AMOUNT OF CREDIT.—

21 “(1) IN GENERAL.—The amount of the credit  
22 determined under this subsection with respect to any  
23 credit allowance date for a qualified renewable  
24 school energy bond is 25 percent of the annual cred-  
25 it determined with respect to such bond.

1           “(2) ANNUAL CREDIT.—The annual credit de-  
2           termined with respect to any qualified renewable  
3           school energy bond is the product of—

4                   “(A) the credit rate determined by the Sec-  
5           retary under paragraph (3) for the day on  
6           which such bond was sold, multiplied by

7                   “(B) the outstanding face amount of the  
8           bond.

9           “(3) DETERMINATION.—For purposes of para-  
10          graph (2), with respect to any qualified renewable  
11          school energy bond, the Secretary shall determine  
12          daily or cause to be determined daily a credit rate  
13          which shall apply to the first day on which there is  
14          a binding, written contract for the sale or exchange  
15          of the bond. The credit rate for any day is the credit  
16          rate which the Secretary or the Secretary’s designee  
17          estimates will permit the issuance of qualified renew-  
18          able school energy bonds with a specified maturity  
19          or redemption date without discount and without in-  
20          terest cost to the qualified issuer.

21          “(4) CREDIT ALLOWANCE DATE.—For purposes  
22          of this section, the term ‘credit allowance date’  
23          means—

24                   “(A) March 15,

25                   “(B) June 15,

1                   “(C) September 15, and

2                   “(D) December 15.

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

5                   “(5) SPECIAL RULE FOR ISSUANCE AND RE-  
6           DEMPTION.—In the case of a bond which is issued  
7           during the 3-month period ending on a credit allow-  
8           ance date, the amount of the credit determined  
9           under this subsection with respect to such credit al-  
10          lowance date shall be a ratable portion of the credit  
11          otherwise determined based on the portion of the 3-  
12          month period during which the bond is outstanding.  
13          A similar rule shall apply when the bond is redeemed  
14          or matures.

15                  “(c) LIMITATION BASED ON AMOUNT OF TAX.—The  
16          credit allowed under subsection (a) for any taxable year  
17          shall not exceed the excess of—

18                   “(1) the sum of the regular tax liability (as de-  
19                  fined in section 26(b)) plus the tax imposed by sec-  
20                  tion 55, over

21                   “(2) the sum of the credits allowable under part  
22                  IV of subchapter A (other than subpart C thereof,  
23                  relating to refundable credits, subpart H thereof,  
24                  section 1400N(l), and this section).

1       “(d) QUALIFIED RENEWABLE SCHOOL ENERGY  
2 BOND.—For purposes of this section—

3           “(1) IN GENERAL.—The term ‘renewable school  
4 energy bond’ means any bond issued as part of an  
5 issue if—

6           “(A) 95 percent or more of the proceeds of  
7 such issue are to be used for a qualified pur-  
8 pose with respect to a qualified school operated  
9 by an eligible local education agency,

10           “(B) the bond is issued by a State or local  
11 government of an eligible State within the juris-  
12 diction of which such school is located,

13           “(C) the issuer—

14           “(i) designates such bond for purposes  
15 of this section, and

16           “(ii) certifies that it has the written  
17 approval of the eligible local education  
18 agency for such bond issuance, and

19           “(D) the term of each bond which is part  
20 of such issue is 20 years.

21           “(2) QUALIFIED SCHOOL.—The term ‘qualified  
22 school’ means any public school or public school sys-  
23 tem administrative building which is owned by or op-  
24 erated by an eligible local education agency.

1           “(3) ELIGIBLE LOCAL EDUCATION AGENCY.—  
2           The term ‘eligible local education agency’ means any  
3           local educational agency as defined in section 9101  
4           of the Elementary and Secondary Education Act of  
5           1965.

6           “(4) ELIGIBLE STATE.—The term ‘eligible  
7           State’ means, with respect to any calendar year, any  
8           State described in one of the following:

9                   “(A) The 5 States within Region 4 of the  
10                   United States Census with the greatest percent-  
11                   age population growth change between 2000  
12                   and 2006 as determined under the Cumulative  
13                   Estimates of Population Change for the United  
14                   States and States, and for Puerto Rico—April  
15                   1, 2000 to July 1, 2006, by the Bureau of the  
16                   Census.

17                   “(B) The State with a total percentage  
18                   population growth change between 2000 and  
19                   2006 greater than 4.5 percent but less than 5.0  
20                   percent and a total population 19 years of age  
21                   and younger which is greater than 200,000 but  
22                   less than 250,000 as determined under such  
23                   Cumulative Estimates and the 2005 American  
24                   Community Survey by the Bureau of the Cen-  
25                   sus.

1           “(5) QUALIFIED PURPOSE.—The term ‘quali-  
2           fied purpose’ means, with respect to any qualified  
3           school, the purchase and installation of renewable  
4           energy products.

5           “(e) LIMITATION ON AMOUNT OF BONDS DES-  
6           IGNATED.—

7           “(1) NATIONAL LIMITATION.—There is a na-  
8           tional renewable school energy bond limitation for  
9           each calendar year. Such limitation is \$50,000,000  
10          for 2008, \$100,000,000 for 2009, \$150,000,000 for  
11          2010, and, except as provided in paragraph (4), zero  
12          thereafter.

13          “(2) ALLOCATION OF LIMITATION.—The na-  
14          tional renewable school energy bond limitation for a  
15          calendar year shall be allocated by the Secretary—

16                 “(A) among the eligible States described in  
17                 subsection (d)(4)(A), 30 percent to the State  
18                 with the greatest percentage population growth,  
19                 20 percent to each of second and third ranked  
20                 States, and 10 percent to each of the fourth  
21                 and fifth ranked States, and

22                 “(B) to the State described in subsection  
23                 (d)(4)(B), 10 percent.

24          The limitation amount allocated to an eligible State  
25          under the preceding sentence shall be allocated by



1 the State education agency to qualified schools with-  
2 in such State.

3 “(3) DESIGNATION SUBJECT TO LIMITATION  
4 AMOUNT.—The maximum aggregate face amount of  
5 bonds issued during any calendar year which may be  
6 designated under subsection (d)(1) with respect to  
7 any qualified school shall not exceed the limitation  
8 amount allocated to such school under paragraph (2)  
9 for such calendar year.

10 “(4) CARRYOVER OF UNUSED LIMITATION.—If  
11 for any calendar year—

12 “(A) the limitation amount for any eligible  
13 State, exceeds

14 “(B) the amount of bonds issued during  
15 such year which are designated under sub-  
16 section (d)(1) with respect to qualified schools  
17 within such State,

18 the limitation amount for such State for the fol-  
19 lowing calendar year shall be increased by the  
20 amount of such excess. Any carryforward of a limi-  
21 tation amount may be carried only to the first 2  
22 years following the unused limitation year. For pur-  
23 poses of the preceding sentence, a limitation amount  
24 shall be treated as used on a first-in first-out basis.

1       “(f) OTHER DEFINITIONS.—For purposes of this sec-  
2 tion—

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

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

8       “(g) CREDIT INCLUDED IN GROSS INCOME.—Gross  
9 income includes the amount of the credit allowed to the  
10 taxpayer under this section (determined without regard to  
11 subsection (e)).

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

14           “(1) IN GENERAL.—There may be a separation  
15 (including at issuance) of the ownership of a quali-  
16 fied renewable school energy bond and the entitle-  
17 ment to the credit under this section with respect to  
18 such bond. In case of any such separation, the credit  
19 under this section shall be allowed to the person  
20 which, on the credit allowance date, holds the instru-  
21 ment evidencing the entitlement to the credit and  
22 not to the holder of the bond.

23           “(2) CERTAIN RULES TO APPLY.—In the case  
24 of a separation described in paragraph (1), the rules  
25 of section 1286 shall apply to the qualified renew-

1       able school energy bond as if it were a stripped bond  
 2       and to the credit under this section as if it were a  
 3       stripped coupon.

4       “(i) CREDIT TREATED AS NONREFUNDABLE BOND-  
 5       HOLDER CREDIT.—For purposes of this title, the credit  
 6       allowed by this section shall be treated as a credit allow-  
 7       able under subpart H of part IV of subchapter A of this  
 8       chapter.

9       “(j) SPECIAL RULES.—For purposes of this section,  
 10       rules similar to the rules under paragraphs (3) and (4)  
 11       of section 54(l) shall apply.”.

12       (b) CONFORMING AMENDMENTS.—The table of sec-  
 13       tions for part V of such subchapter is amended by redesi-  
 14       gnating section 1397F as section 1397G and by adding at  
 15       the end of the table of sections for part IV of such sub-  
 16       chapter the following new item:

“Sec. 1397F. Credit for holders of qualified renewable school energy bonds.”.

17       (c) EFFECTIVE DATE.—The amendments made by  
 18       this section shall apply to bonds issued after December  
 19       31, 2007.

20       **SEC. 109. TREATMENT OF BONDS ISSUED TO FINANCE RE-**  
 21       **NEWABLE ENERGY RESOURCE FACILITIES.**

22       (a) IN GENERAL.—Subsection (a) of section 142 (re-  
 23       lating to exempt facility bond) is amended—

24               (1) by striking “or” at the end of paragraph  
 25               (14),

1           (2) by striking the period at the end of para-  
2           graph (15) and inserting “, or”, and

3           (3) by inserting at the end the following new  
4           paragraph:

5           “(16) renewable energy resource facilities.”.

6           (b) DEFINITION.—Section 142 is amended by insert-  
7           ing at the end the following new subsection:

8           “(n) RENEWABLE ENERGY RESOURCE FACILI-  
9           TIES.—For purposes of subsection (a)(16)—

10           “(1) IN GENERAL.—The term ‘renewable en-  
11           ergy resource facility’ means any facility used to  
12           produce electric or thermal energy (including a dis-  
13           tributed generation facility) from—

14                   “(A) wind energy,

15                   “(B) closed-loop biomass (within the mean-  
16           ing of section 45(c)(2)),

17                   “(C) open-loop biomass (as defined in sec-  
18           tion 45(c)(3),

19                   “(D) geothermal energy (as defined in sec-  
20           tion 45(c)(4),

21                   “(E) solar energy,

22                   “(F) land fill gas derived from the bio-  
23           degradation of municipal solid waste (as defined  
24           in section 45(c)(6),

1           “(G) incremental hydropower production  
2           (as determined under section 45(c)(8)(B), or

3           “(H) ocean energy.

4           “(2) OCEAN ENERGY.—The term ‘ocean energy’  
5           includes current, wave, tidal, and thermal energy.”.

6           (c) COORDINATION WITH SECTION 45.—Section  
7           45(b)(3) is amended by adding at the end the following  
8           new sentence: “For purposes of this paragraph, proceeds  
9           of an issue used to provide financing for any qualified fa-  
10          cility by reason of section 142(a)(16) shall not be taken  
11          into account under subparagraph (A)(ii).”.

12          (d) EFFECTIVE DATE.—The amendments made by  
13          this section shall apply with respect to bonds issued on  
14          or after the date of the enactment of this Act.

15       **TITLE II—INVESTMENT TAX**  
16       **CREDIT WITH RESPECT TO**  
17       **SOLAR ENERGY PROPERTY**  
18       **AND MANUFACTURING**

19       **Subtitle A—Solar Energy Property**

20       **SEC. 201. ENERGY CREDIT WITH RESPECT TO SOLAR EN-**  
21       **ERGY PROPERTY.**

22          (a) PERMANENT EXTENSION OF CREDIT FOR SOLAR  
23          ENERGY PROPERTY.—Paragraphs (2)(A)(i)(II) and  
24          (3)(A)(ii) of section 48(a) (relating to the energy credit)

1 are each amended by striking “but only with respect to  
2 periods ending before January 1, 2009”.

3 (b) ENERGY PROPERTY TO INCLUDE EXCESS EN-  
4 ERGY STORAGE DEVICE.—Clause (i) of section  
5 48(a)(3)(A) (relating to energy property) is amended to  
6 read as follows:

7 “(i) equipment which uses solar en-  
8 ergy to generate electricity, to heat or cool  
9 (or provide hot water for use in) a struc-  
10 ture, or to provide solar process heat, or  
11 advanced energy storage systems installed  
12 as an integrated component of the fore-  
13 going, excepting property used to generate  
14 energy for purposes of heating a swimming  
15 pool,”.

16 (c) ADDITIONAL MODIFICATIONS.—

17 (1) SOLAR ELECTRIC ENERGY PROPERTY CRED-  
18 IT DETERMINED SOLELY BY KILOWATT CAPACITY.—

19 (A) IN GENERAL.—Subsection (a) of sec-  
20 tion 48 (relating to the energy credit) is amend-  
21 ed by redesignating paragraph (4) as paragraph  
22 (5) and by inserting after paragraph (3) the  
23 following new paragraph:

24 “(4) SPECIAL RULE FOR ENERGY CREDIT FOR  
25 SOLAR ELECTRIC ENERGY PROPERTY.—

1           “(A) IN GENERAL.—For purposes of sec-  
2           tion 46, the energy credit for any taxable year  
3           for solar electric energy property described in  
4           paragraph (3)(A)(i) which is used to generate  
5           electricity and which is placed in service during  
6           the taxable year is \$1,500 with respect to each  
7           half kilowatt of direct current of installed ca-  
8           pacity of such property. Paragraph (2)(A) shall  
9           not apply to property to which the preceding  
10          sentence applies.

11          “(B) APPLICATION OF SPECIAL RULES FOR  
12          REHABILITATED OR SUBSIDIZED PROPERTY.—  
13          Rules similar to the rules of paragraphs (2)(B)  
14          and (5) shall apply to property to which this  
15          paragraph applies.”.

16          (B) CONFORMING AMENDMENTS.—Sub-  
17          section (a) of section 48 is amended—

18                 (i) in paragraph (1), by inserting “in  
19                 paragraph (4) and” after “except as pro-  
20                 vided”, and

21                 (ii) in paragraph (2)(A)(i)(II), by  
22                 striking “described in paragraph (3)(A)(i)”  
23                 and inserting “which is described in para-  
24                 graph (3)(A)(i) and to which paragraph  
25                 (4) does not apply”.

1 (d) CREDIT ALLOWED AGAINST THE ALTERNATIVE  
2 MINIMUM TAX.—Section 38(c)(4)(B) (relating to speci-  
3 fied credits) is amended by—

4 (1) striking “and” at the end of clause (i),

5 (2) striking the period at the end of clause  
6 (ii)(II) and inserting “, and”, and

7 (3) adding at the end the following new clause:

8 “(iii) the portion of the investment  
9 credit under section 46(2) which is deter-  
10 mined under clauses (i) and (ii) of section  
11 48(a)(3)(A).”.

12 (e) EFFECTIVE DATE.—The amendment made by  
13 subsection (a) shall apply to periods after December 31,  
14 2007, in taxable years beginning after such date, under  
15 rules similar to the rules of section 48(m) (as in effect  
16 on the day before the date of the enactment of the Rev-  
17 enue Reconciliation Act of 1990).

18 **SEC. 202. REPEAL OF EXCLUSION FOR SOLAR AND GEO-**  
19 **THERMAL PUBLIC UTILITY PROPERTY**  
20 **UNDER ENERGY CREDIT.**

21 (a) IN GENERAL.—The second sentence of section  
22 48(a)(3) is amended by inserting “(other than property  
23 described in clause (i) or (iii) of subparagraph (A))” after  
24 “any property”.



1 (b) EFFECTIVE DATE.—The amendment made by  
 2 subsection (a) shall apply to periods after December 31,  
 3 2007, in taxable years beginning after such date, under  
 4 rules similar to the rules of section 48(m) (as in effect  
 5 on the day before the date of the enactment of the Rev-  
 6 enue Reconciliation Act of 1990).

7 **SEC. 203. PERMANENT EXTENSION AND MODIFICATION OF**  
 8 **CREDIT FOR RESIDENTIAL ENERGY EFFI-**  
 9 **CIENT PROPERTY.**

10 (a) PERMANENT EXTENSION.—Section 25D is  
 11 amended by striking subsection (g) (relating to termi-  
 12 nation).

13 (b) SOLAR ELECTRIC PROPERTY.—Paragraph (1) of  
 14 section 25D(a) (relating to allowance of credit) is amended  
 15 by striking “30 percent of”.

16 (c) MODIFICATION OF MAXIMUM CREDIT.—Para-  
 17 graph (1) of section 25D(b) (relating to limitations) is  
 18 amended to read as follows:

19 “(1) MAXIMUM CREDIT.—The credit allowed  
 20 under subsection (a) (determined without regard to  
 21 subsection (c)) for any taxable year shall not ex-  
 22 ceed—

23 “(A) \$1,500 with respect to each half kilo-  
 24 watt of direct current of installed capacity of  
 25 qualified solar electric property for which quali-

1           fied solar electric property expenditures are  
2           made,

3                   “(B) \$2,000 with respect to any qualified  
4           solar heating and cooling property expenditures,  
5           and

6                   “(C) \$500 with respect to each half kilo-  
7           watt of capacity of qualified fuel cell property  
8           (as defined in section 48(c)(1)) for which quali-  
9           fied fuel cell property expenditures are made.”.

10          (d) DEFINITION OF QUALIFIED SOLAR HEATING AND  
11          COOLING PROPERTY EXPENDITURE.—

12                   (1) IN GENERAL.—Paragraph (1) of section  
13          25D(d) (relating to definitions) is amended to read  
14          as follows:

15                   “(2) QUALIFIED SOLAR HEATING AND COOLING  
16          PROPERTY EXPENDITURE.—The term ‘qualified  
17          solar heating and cooling property expenditure’  
18          means an expenditure for property to heat or cool  
19          (or provide hot water for use in) a dwelling unit lo-  
20          cated in the United States and used as a residence  
21          by the taxpayer if at least half of the energy used  
22          by such property for such purpose is derived from  
23          the sun. Such term shall not include an expenditure  
24          which is a qualified solar electric property expendi-  
25          ture.”.

1           (2) CONFORMING AMENDMENTS.—Section 25D  
 2           (relating to residential energy efficient property) is  
 3           amended—

4                   (A) by striking “solar water heating” in  
 5                   subsections (a)(2) and (e)(4)(A)(ii) and insert-  
 6                   ing “solar heating and cooling”, and

7                   (B) by striking the heading for subsection  
 8                   (b)(2) and inserting the following new heading:  
 9                   “(2) CERTIFICATION OF SOLAR HEATING AND  
 10                  COOLING PROPERTY.”.

11          (e) CREDIT ALLOWED AGAINST ALTERNATIVE MIN-  
 12          IMUM TAX.—

13           (1) IN GENERAL.—Section 25D(b) (relating to  
 14           limitations), as amended by subsection (c), is  
 15           amended by adding at the end the following new  
 16           paragraph:

17                   “(3) CREDIT ALLOWED AGAINST ALTERNATIVE  
 18                   MINIMUM TAX.—The credit allowed under subsection  
 19                   (a) for the taxable year shall not exceed the excess  
 20                   of—

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

24                           “(B) the sum of the credits allowable  
 25                           under subpart A of part IV of subchapter A

1 (other than this section) and section 27 for the  
2 taxable year.”.

3 (2) CONFORMING AMENDMENTS.—

4 (A) Subsection (c) of section 25D (relating  
5 to carryforward of unused credit) is amended to  
6 read as follows:

7 “(c) CARRYFORWARD OF UNUSED CREDIT.—If the  
8 credit allowable under subsection (a) for any taxable year  
9 exceeds the limitation imposed by subsection (b)(3) for  
10 such taxable year, such excess shall be carried to the suc-  
11 ceeding taxable year and added to the credit allowable  
12 under subsection (a) for such succeeding taxable year.”.

13 (B) Section 23(b)(4)(B) (relating to limita-  
14 tion based on amount of tax) is amended by in-  
15 serting “and section 25D” after “this section”.

16 (C) Section 24(b)(3)(B) (relating to limita-  
17 tion based on amount of tax) is amended by  
18 striking “sections 23 and 25B” and inserting  
19 “sections 23, 25B, and 25D”.

20 (D) Section 26(a)(1) (relating to limitation  
21 based on amount of tax) is amended by striking  
22 “and 25B” and inserting “25B, and 25D”.

23 (f) EFFECTIVE DATE.—The amendments made by  
24 this section shall apply to expenditures made in taxable  
25 years beginning after December 31, 2007.

1 **SEC. 204. 3-YEAR ACCELERATED DEPRECIATION PERIOD**  
2 **FOR SOLAR ENERGY PROPERTY.**

3 (a) IN GENERAL.—Subparagraph (A) of section  
4 168(e)(3) (relating to 3-year property) is amended—

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

6 (2) by striking the period at the end of clause

7 (iii) and inserting a comma, and

8 (3) by inserting after clause (iii) the following  
9 new clauses:

10 “(iv) any property which is described  
11 in clause (i) or (ii) of section 48(a)(3)(A)  
12 (or would be so described if the last sen-  
13 tence of such section did not apply to such  
14 clause), and

15 “(v) any property which is described  
16 in clause (iv) of section 48(a)(3)(A).”.

17 (b) CONFORMING AMENDMENT.—Subclause (I) of  
18 section 168(e)(3)(B)(vi) (relating to 5-year property) is  
19 amended to read as follows:

20 “(I) would be described in sub-  
21 paragraph (A) of section 48(a)(3) if  
22 ‘wind energy’ were substituted for  
23 ‘solar energy’ in clause (i) thereof and  
24 the last sentence of such section did  
25 not apply to such subparagraph.”.

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 B—Promotion of Solar** 5 **Manufacturing in the United States**

### 6 **SEC. 211. SOLAR MANUFACTURING CREDIT.**

7 (a) IN GENERAL.—Subpart E of part IV of sub-  
8 chapter A of chapter 1 (relating to rules for computing  
9 investment credit) is amended by inserting after section  
10 48B the following new section:

#### 11 **“SEC. 48C. SOLAR MANUFACTURING CREDIT.**

12 “(a) CREDIT ALLOWED.—For purposes of section 46,  
13 the solar manufacturing credit for any taxable year is an  
14 amount equal to 30 percent of the qualified investment  
15 for such taxable year.

16 “(b) QUALIFIED INVESTMENT.—For purposes of this  
17 section—

18 “(1) IN GENERAL.—The qualified investment  
19 for any taxable year is equal to the incremental costs  
20 incurred during such taxable year to re-equip, ex-  
21 pand, or establish an eligible manufacturing facil-  
22 ity—

23 “(A) to produce polysilicon for use in solar  
24 cells, wafers manufactured for solar cells, and  
25 solar photovoltaic cells,

1           “(B) to produce or assemble solar photo-  
2 voltaic modules,

3           “(C) to produce or assemble solar thermal  
4 panels and solar thermal storage tanks, or

5           “(D) to produce concentrated solar power  
6 equipment.

7           “(2) EXCEPTIONS.—The qualified investment  
8 for any taxable year shall not include—

9           “(A) assets utilized to produce the mate-  
10 rials consumed in the production of solar photo-  
11 voltaic modules, such as aluminum extrusions,  
12 glass, encapsulants, inverters, and mounting  
13 hardware, and

14           “(B) assets utilized to produce the mate-  
15 rials consumed in the production of solar ther-  
16 mal panels, such as aluminum extrusions, glass,  
17 copper, and mounting hardware.

18           “(3) CERTAIN QUALIFIED PROGRESS EXPENDI-  
19 TURES MADE APPLICABLE.—Rules similar to the  
20 rules of subsections (c)(4) and (d) of section 46 (as  
21 in effect on the day before the enactment of the Rev-  
22 enue Reconciliation Act of 1990) shall apply for pur-  
23 poses of this section.

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

1           “(1) ELIGIBLE MANUFACTURING FACILITY.—

2           The term ‘eligible manufacturing facility’ means any  
3           manufacturing facility for which more than 50 per-  
4           cent of the gross receipts for the taxable year are de-  
5           rived from sales of solar equipment.

6           “(2) SOLAR PHOTOVOLTAIC CELL.—The term

7           ‘solar photovoltaic cell’ means the semiconductor de-  
8           vice which converts photons from light into elec-  
9           tricity.

10           “(3) SOLAR PHOTOVOLTAIC MODULE.—The

11           term ‘solar photovoltaic module’ means an assembly  
12           of multiple interconnected solar photovoltaic cells  
13           that are sized and packaged for installation and de-  
14           ployment in a specific application.”.

15           (b) CREDIT TREATED AS PART OF INVESTMENT

16 CREDIT.—Section 46 (relating to amount of credit) is  
17 amended by striking “and” at the end of paragraph (3),  
18 by striking the period at the end of paragraph (4) and  
19 inserting “, and”, and by adding at the end the following  
20 new paragraph:

21           “(5) the solar manufacturing credit.”.

22           (c) CERTAIN NONRECOURSE FINANCING EXCLUDED

23 FROM CREDIT BASE.—Section 49(a)(1)(C) (defining  
24 credit base) is amended by striking “and” at the end of  
25 clause (iii), by striking the period at the end of clause (iv)



1 and inserting “, and”, and by adding at the end the fol-  
2 lowing new clause:

3                   “(v) the basis of any property which  
4                   is part of the solar manufacturing credit  
5                   under section 48C.”.

6       (d) EFFECTIVE DATE.—The amendments made by  
7 this section shall apply to periods after December 31,  
8 2007, in taxable years beginning after such date, under  
9 rules similar to the rules of section 48(m) (as in effect  
10 on the day before the date of the enactment of the Rev-  
11 enue Reconciliation Act of 1990).

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