CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

April 18, 2005

H.R. 1541

Enhanced Energy Infrastructure and Technology Tax Act of 2005

As ordered reported by the Committee on Ways and Means on April 13, 2005

SUMMARY

H.R. 1541 would amend a number provisions in the Internal Revenue Code primarily relating to energy. Some of those changes include modifying the depreciation lifetimes of some energy infrastructure, allowing certain energy-related expenditures to be amortized, creating various tax credits related the use of energy-efficient technologies, and allowing energy-related tax credits to be applied against the alternative minimum tax. The bill would not affect direct spending or spending subject to appropriation.

The Joint Committee on Taxation (JCT) estimates that enacting H.R. 1541 would increase federal revenues by $163 million in 2005, and decrease revenues by about $4.2 billion over the 2006-2010 period and by about $8.2 billion over the 2006-2015 period.

JCT has determined that H.R. 1541 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The budgetary impact of H.R. 1541 over the 2005-2015 period is shown in the following table.

	By Fiscal Year, in Millions of Dollars										
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
CHANGES IN REVENUES											
Energy Infrastructure Tax Provisions	-17	-201	-646	-769	-535	-574	-633	-658	-683	-708	-732
Miscellaneous Energy Tax Provisions	180	71	-315	-461	-300	-209	-162	-164	-159	-161	-171
Alternative Minimum Tax Provisions	a	-180	-252	-35	90	90	84	70	43	11	b
Estimated Revenues	163	-310	-1,213	-1,265	-745	-693	-711	-752	-799	-858	-903

SOURCE: Joint Committee on Taxation.

a. Loss of less than $500,000.
b. Gain of less than $500,000.

BASIS OF ESTIMATE

JCT estimated all of the revenue effects of bill. In total, JCT estimates enacting provisions of H.R. 1541 would increase federal revenues by $163 million in 2005, and decrease revenues by about $4.2 billion over the 2006-2010 period and $8.2 billion over the 2006-2015 period.

Energy Infrastructure Tax Provisions

In total, JCT estimates enacting Title I would reduce federal revenues by $17 million in 2005, and by about $2.7 billion over the 2006-2010 period and $6.1 billion over the 2006-2015 period. Roughly half of the decrease in receipts, about $3.1 billion over the 2005-2015 period, would result from shortening the depreciation lifetimes for certain types of infrastructure equipment, including natural gas gathering and distribution pipelines and certain electricity transmission property. Modifying special rules for nuclear decommissioning costs would result in an additional decrease in revenues of about $1.3 billion over the 2006-2015 period, and expanding the eligibility rules for amortizing air pollution control facilities would further reduce federal revenues by about $1.4 billion over the 2005-2015 period. JCT estimates the remaining provisions would lower receipts by $628 million between 2005 and 2008 and then increase receipts by $328 million from 2009 to 2015.

Miscellaneous Energy Tax Incentives.

Title II would provide tax credits for the use of various energy-efficient technologies. Those include installing residential solar hot water heaters and residential and commercial installation of fuel cells, as well as making energy efficient improvements to existing homes. JCT estimates the credits would reduce revenues by $488 million between 2006 and 2012, though they would sunset on December 31, 2007. Other provisions would allow a two-year amortization period for certain delayed rental payments and all geological and geophysical expenditures related to oil and gas exploration. JCT estimates those provisions would increase receipts by $370 million between 2005 and 2006, and then decrease receipts by about $1.7 billion between 2007 and 2015. In total, the provisions in title II would increase revenues by $180 million in 2005, and decrease revenues by about $1.2 billion over the 2006-2010 period and by about $2 billion over the 2006-2015 period.

Alternative Minimum Tax Relief Provisions.

Title III would allow taxpayers to apply certain energy-related credits against the alternative minimum tax. JCT estimates that the credits for individual taxpayers would decrease federal revenues by $82 million over the 2006-2008 period. Tax credits for businesses would reduce revenues by $384 million over the 2006-2008 period, and then increase revenues by about the same amount over the 2009-2015 period.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

JCT has determined that H.R. 1541 contains no intergovernmental or private-sector mandates and would impose no costs on state, local, or tribal governments.

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