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(Original Signature of Member)

110TH CONGRESS
1ST SESSION

H. R.

To amend the Internal Revenue Code of 1986 to improve and extend certain energy-related tax provisions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. McDERMOTT (for himself and Mr. MARKEY) introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to improve and extend certain energy-related tax provisions, 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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “EXTEND the Energy Efficiency Incentives Act of
6 2007”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
2 to, or repeal of, a section or other provision, the reference
3 shall be considered to be made to a section or other provi-
4 sion of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; etc.

TITLE I—NON-BUSINESS ENERGY IMPROVEMENTS

Sec. 101. Performance based energy improvements for non-business property.

Sec. 102. Extension and modification of credit for nonbusiness energy property.

TITLE II—BUSINESS-RELATED ENERGY IMPROVEMENTS

Sec. 201. Extension and clarification of new energy efficient home credit.

Sec. 202. Extension and modification of deduction for energy efficient commer-
cial buildings.

Sec. 203. Deduction for energy efficient low-rise buildings.

Sec. 204. Energy efficient property deduction.

TITLE III—INCENTIVES FOR ENERGY SAVINGS CERTIFICATIONS

Sec. 301. Credit for energy savings certifications.

7 **TITLE I—NON-BUSINESS**
8 **ENERGY IMPROVEMENTS**

9 **SEC. 101. PERFORMANCE BASED ENERGY IMPROVEMENTS**
10 **FOR NON-BUSINESS PROPERTY.**

11 (a) IN GENERAL.—Subpart A of part IV of sub-
12 chapter A of chapter 1 is amended by inserting after sec-
13 tion 25D the following new section:

14 **“SEC. 25E. PERFORMANCE BASED ENERGY IMPROVE-**
15 **MENTS.**

16 “(a) IN GENERAL.—In the case of an individual,
17 there shall be allowed as a credit against the tax imposed

1 by this chapter for the taxable year an amount equal to
2 the amount of qualified energy efficiency expenditures
3 paid or incurred by the taxpayer during the taxable year.

4 “(b) LIMITATIONS.—

5 “(1) IN GENERAL.—The amount allowed as a
6 credit under subsection (a) shall not exceed the
7 product of—

8 “(A) the qualified energy savings achieved,
9 and

10 “(B) \$4,000.

11 “(2) MINIMUM AMOUNT OF QUALIFIED ENERGY
12 SAVINGS.—No credit shall be allowed under sub-
13 section (a) with respect to any principal residence
14 which achieves a qualified energy savings of less
15 than 20 percent.

16 “(3) LIMITATION BASED ON AMOUNT OF
17 TAX.—In the case of taxable years to which section
18 26(a)(2) does not apply, the credit allowed under
19 subsection (a) for any taxable year shall not exceed
20 the excess 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 credit allowable under
25 this subpart (other than this section and sec-

1 tions 23, 24, and 25B) and section 27 for the
2 taxable year.

3 “(c) QUALIFIED ENERGY EFFICIENCY EXPENDI-
4 TURES.—For purposes of this section:

5 “(1) IN GENERAL.—The term ‘qualified energy
6 efficiency expenditures’ means any amount paid or
7 incurred which is related to producing qualified en-
8 ergy savings in a principal residence of the taxpayer
9 which is located in the United States.

10 “(2) NO DOUBLE BENEFIT FOR CERTAIN EX-
11 PENDITURES.—The term ‘qualified energy efficiency
12 expenditures’ shall not include any expenditure for
13 which a deduction or credit is otherwise allowed to
14 the taxpayer under this chapter.

15 “(3) PRINCIPAL RESIDENCE.—The term ‘prin-
16 cipal residence’ has the same meaning as when used
17 in section 121, except that—

18 “(A) no ownership requirement shall be
19 imposed, and

20 “(B) the period for which a building is
21 treated as used as a principal residence shall
22 also include the 60-day period ending on the 1st
23 day on which it would (but for this subpara-
24 graph) first be treated as used as a principal
25 residence.

1 “(d) QUALIFIED ENERGY SAVINGS.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The term ‘qualified energy
4 savings’ means, with respect to any principal resi-
5 dence, the amount (measured as a percentage) by
6 which—

7 “(A) the annual energy use with respect to
8 the principal residence after qualified energy ef-
9 ficiency expenditures are made, as certified
10 under paragraph (2), is less than

11 “(B) the annual energy use with respect to
12 the principal residence before the qualified en-
13 ergy efficiency expenditures were made, as cer-
14 tified under paragraph (2).

15 In determining annual energy use under subpara-
16 graph (B), any energy efficiency improvements
17 which are not attributable to qualified energy effi-
18 ciency expenditures shall be disregarded.

19 “(2) CERTIFICATION.—

20 “(A) IN GENERAL.—The Secretary, in con-
21 sultation with the Secretary of Energy, shall
22 prescribe the procedures and methods for the
23 making of certifications under this paragraph
24 based on the Residential Energy Services Net-

1 work (RESNET) Technical Guidelines in effect
2 on the date of the enactment of this section.

3 “(B) QUALIFIED INDIVIDUALS.—Any cer-
4 tification made under this paragraph may only
5 be made by an individual who is recognized by
6 an organization certified by the Secretary for
7 such purposes.

8 “(e) SPECIAL RULES.—For purposes of this section
9 rules similar to the rules under paragraphs (4), (5), (6),
10 (7), (8), and (9) of section 25D(e) and section 25C(e)(2)
11 shall apply.

12 “(f) BASIS ADJUSTMENTS.—For purposes of this
13 subtitle, if a credit is allowed under this section with re-
14 spect to any expenditure with respect to any property, the
15 increase in the basis of such property which would (but
16 for this subsection) result from such expenditure shall be
17 reduced by the amount of the credit so allowed.

18 “(g) TERMINATION.—This section shall not apply
19 with respect to any property placed in service after Decem-
20 ber 31, 2011.”.

21 (b) INTERIM GUIDANCE ON CERTIFICATION.—

22 (1) IN GENERAL.—Not later than 90 days after
23 the date of the enactment of this Act, the Secretary
24 of the Treasury, in consultation with the Secretary
25 of Energy, shall issue interim guidance on—

1 (A) the procedures and methods for mak-
2 ing certifications under sections 25E(d)(2)(A)
3 and 179F(d)(2)(A) of the Internal Revenue
4 Code of 1986, as added by subsection (a) and
5 section 203, respectively;

6 (B) the recognition of qualified individuals
7 under sections 25E(d)(2)(B) and
8 179F(d)(2)(B) of such Code for the purpose of
9 making such certifications;

10 (C) how participation in State energy effi-
11 ciency programs can be used in the procedures
12 and methods described in subparagraph (A).

13 (2) CONSULTATION WITH STAKEHOLDERS.—

14 (A) IN GENERAL.—The Secretary of the
15 Treasury, in issuing guidance pursuant to para-
16 graph (1), shall consider comments from energy
17 efficiency experts and other interested parties.

18 (B) OTHER CONSIDERATIONS.—In the case
19 of guidance issued pursuant to paragraph
20 (1)(B), the Secretary of the Treasury shall also
21 consider—

22 (i) the Residential Energy Services
23 Network Technical Guidelines and other
24 pertinent guidelines for evaluating energy
25 savings;

1 (ii) energy modeling software, includ-
2 ing software accredited through the Resi-
3 dential Energy Services Network; and

4 (iii) quality assurance procedures of
5 the Building Performance Institute, Home
6 Performance through Energy Star, and the
7 Residential Energy Services Network.

8 (c) ALTERNATIVE CERTIFICATION METHODS.—

9 (1) IN GENERAL.—The Secretary of the Treas-
10 ury shall establish a procedure for individuals and
11 businesses to petition for the approval of alternative
12 methods of certification under sections 25E(d)(2)(A)
13 and 179F(d)(2)(A) of the Internal Revenue Code of
14 1986, as added by subsection (a) and section 203,
15 respectively.

16 (2) DETERMINATION.—The Secretary of the
17 Treasury shall make a determination on the ap-
18 proval or disapproval of such alternative methods of
19 certification not later than 90 days after receiving a
20 petition under paragraph (1).

21 (d) CONFORMING AMENDMENTS.—

22 (1) Section 1016(a) is amended by striking
23 “and” at the end of paragraph (36), by striking the
24 period at the end of paragraph (37) and inserting “,

1 and”, and by adding at the end the following new
2 paragraph:

3 “(38) to the extent provided in section
4 25E(f).”.

5 (2) The table of sections for subpart A of part
6 IV of subchapter A chapter 1 is amended by insert-
7 ing after the item relating to section 25D the fol-
8 lowing new item:

“Sec. 25E. Performance based energy improvements.”.

9 (e) **EFFECTIVE DATE.**—The amendments made by
10 this section shall apply to amounts paid or incurred in tax-
11 able years beginning after the date of the enactment of
12 this Act.

13 **SEC. 102. EXTENSION AND MODIFICATION OF CREDIT FOR**
14 **NONBUSINESS ENERGY PROPERTY.**

15 (a) **EXTENSION.**—Subsection (g) of section 25C (re-
16 lating to termination) is amended by striking “December
17 31, 2007” and inserting “December 31, 2011”.

18 (b) **LABOR COSTS FOR QUALIFIED ENERGY EFFI-**
19 **CIENCY IMPROVEMENTS.**—Section 25C(c)(1) is amended
20 by adding at the end the following new flush sentence:

21 “The amount taken into account under subsection
22 (a)(1) with respect to qualified energy efficiency im-
23 provements shall include expenditures for labor costs
24 properly allocable to the onsite preparation, assem-

1 bly, or original installation of any component de-
2 scribed in this paragraph.”.

3 (c) MODIFICATIONS FOR RESIDENTIAL ENERGY EF-
4 FICIENCY PROPERTY EXPENDITURES.—

5 (1) INCREASED LIMITATION FOR OIL FURNACES
6 AND NATURAL GAS, PROPANE, AND OIL HOT WATER
7 BOILERS.—

8 (A) IN GENERAL.—Subparagraphs (B) and
9 (C) of section 25C(b)(3) are amended to read
10 as follows:

11 “(B) \$150 for any qualified natural gas
12 furnace or qualified propane furnace, and

13 “(C) \$300 for—

14 “(i) any item of energy-efficient build-
15 ing property, and

16 “(ii) any qualified oil furnace, quali-
17 fied natural gas hot water boiler, qualified
18 propane hot water boiler, or qualified oil
19 hot water boiler.”.

20 (B) CONFORMING AMENDMENT.—Clause
21 (ii) of section 25C(d)(2)(A) is amended to read
22 as follows:

23 “(ii) any qualified natural gas fur-
24 nace, qualified propane furnace, qualified
25 oil furnace, qualified natural gas hot water

1 boiler, qualified propane hot water boiler,
2 or qualified oil hot water boiler, or”.

3 (2) MODIFICATIONS OF STANDARDS FOR EN-
4 ERGY-EFFICIENT BUILDING PROPERTY.—

5 (A) ELECTRIC HEAT PUMPS.—Subpara-
6 graph (B) of section 25C(d)(3) is amended to
7 read as follows:

8 “(A) an electric heat pump which achieves
9 the highest efficiency tier established by the
10 Consortium for Energy Efficiency, as in effect
11 on January 1, 2008.”.

12 (B) CENTRAL AIR CONDITIONERS.—Sec-
13 tion 25C(d)(3)(D) is amended by striking
14 “2006” and inserting “2008”.

15 (C) WATER HEATERS.—Subparagraph (E)
16 of section 25C(d) is amended to read as follows:

17 “(E) a natural gas, propane, or oil water
18 heater which has either an energy factor of at
19 least 0.80 or a thermal efficiency of at least 90
20 percent.”.

21 (D) OIL FURNACES AND HOT WATER BOIL-
22 ERS.—Paragraph (4) of section 25C(d) is
23 amended to read as follows:

24 “(4) QUALIFIED NATURAL GAS, PROPANE, AND
25 OIL FURNACES AND HOT WATER BOILERS.—

1 “(A) QUALIFIED NATURAL GAS FUR-
2 NACE.—The term ‘qualified natural gas fur-
3 nace’ means any natural gas furnace which
4 achieves an annual fuel utilization efficiency
5 rate of not less than 95.

6 “(B) QUALIFIED NATURAL GAS HOT
7 WATER BOILER.—The term ‘qualified natural
8 gas hot water boiler’ means any natural gas hot
9 water boiler which achieves an annual fuel utili-
10 zation efficiency rate of not less than 90.

11 “(C) QUALIFIED PROPANE FURNACE.—
12 The term ‘qualified propane furnace’ means any
13 propane furnace which achieves an annual fuel
14 utilization efficiency rate of not less than 95.

15 “(D) QUALIFIED PROPANE HOT WATER
16 BOILER.—The term ‘qualified propane hot
17 water boiler’ means any propane hot water boil-
18 er which achieves an annual fuel utilization effi-
19 ciency rate of not less than 90.

20 “(E) QUALIFIED OIL FURNACES.—The
21 term ‘qualified oil furnace’ means any oil fur-
22 nace which achieves an annual fuel utilization
23 efficiency rate of not less than 90.

24 “(F) QUALIFIED OIL HOT WATER BOIL-
25 ER.—The term ‘qualified oil hot water boiler’

1 means any oil hot water boiler which achieves
2 an annual fuel utilization efficiency rate of not
3 less than 90.”.

4 (3) ELIMINATION OF LIFETIME LIMITATION.—
5 Paragraph (1) of section 25C(b) is amended by in-
6 serting “by reason of subsection (a)(1)” after
7 “under this section”.

8 (d) MODIFICATION OF QUALIFIED ENERGY EFFI-
9 CIENCY IMPROVEMENTS.—

10 (1) IN GENERAL.—Paragraph (1) of section
11 25C(e) is amended by inserting “, or an asphalt roof
12 with appropriate cooling granules,” before “which
13 meet the Energy Star program requirements”.

14 (2) BUILDING ENVELOPE COMPONENT.—Sub-
15 paragraph (D) of section 25C(e)(2) is amended—

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

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

20 (e) NATURAL GAS FIRED HEAT PUMPS.—Section
21 25C(d)(3), as amended by this section, is amended by
22 striking “and” at the end of subparagraph (D), by strik-
23 ing the period at the end of subparagraph (E) and insert-
24 ing “, and”, and by adding at the end the following new
25 subparagraph:

1 “(F) a natural gas fired heat pump with a
2 heating coefficient of performance (COP) of at
3 least 1.1.”.

4 (f) ELIMINATION OF CREDIT FOR QUALIFIED EN-
5 ENERGY EFFICIENCY IMPROVEMENTS IN 2010.—

6 (1) IN GENERAL.—Subsection (a) of section
7 25C is amended to read as follows:

8 “(a) ALLOWANCE OF CREDIT.—In the case of an in-
9 dividual, there shall be allowed as a credit against the tax
10 imposed by this chapter for the taxable year an amount
11 equal to the amount of residential energy property expend-
12 itures paid or incurred by the taxpayer during the taxable
13 year.”.

14 (2) CONFORMING AMENDMENTS.—

15 (A) Section 25C(b), as amended by sub-
16 section (b), is amended by striking paragraphs
17 (1) and (2) and by redesignating paragraph (3)
18 as paragraph (1).

19 (B) Section 25C(b)(1), as redesignated by
20 subparagraph (A), is amended by striking “by
21 reason of subsection (a)(2)”.

22 (C) Section 25C is amended by striking
23 subsection (c).

24 (g) CLARIFICATION OF ELIGIBILITY OF STANDARDS
25 FOR QUALIFIED ENERGY PROPERTY.—Section

1 25C(d)(2)(C) is amended by striking “and” at the end of
2 clause (i), by striking the period at the end of clause (ii)
3 and inserting “, and”, and by adding at the end the fol-
4 lowing new clause:

5 “(iii) shall allow for the testing of
6 products regardless of the size or capacity
7 of the product.”.

8 (h) EFFECTIVE DATES.—

9 (1) IN GENERAL.—Except as provided in para-
10 graphs (2) and (3), the amendments made by this
11 section shall apply to property placed in service after
12 the date of the enactment of this Act.

13 (2) STANDARDS FOR ELECTRIC HEAT PUMPS
14 AND CENTRAL AIR CONDITIONERS.—The amend-
15 ments made by subparagraphs (A) and (B) sub-
16 section (c)(2) shall apply to property placed in serv-
17 ice after December 31, 2007.

18 (3) ELIMINATION OF CREDIT FOR QUALIFIED
19 ENERGY EFFICIENCY IMPROVEMENTS.—The amend-
20 ments made by subsection (f) shall apply to property
21 placed in service after December 31, 2009.

1 **TITLE II—BUSINESS-RELATED**
2 **ENERGY IMPROVEMENTS**

3 **SEC. 201. EXTENSION AND CLARIFICATION OF NEW EN-**
4 **ERGY EFFICIENT HOME CREDIT.**

5 (a) **EXTENSION.**—Subsection (g) of section 45L (re-
6 lating to termination), as amended by section 205 of divi-
7 sion A of the Tax Relief and Health Care Act of 2006,
8 is amended by striking “December 31, 2008” and insert-
9 ing “December 31, 2011”.

10 (b) **CLARIFICATION.**—

11 (1) **IN GENERAL.**—Paragraph (1) of section
12 45L(a) is amended by striking “and” at the end of
13 subparagraph (A) and by striking subparagraph (B)
14 and inserting the following:

15 “(B) acquired by a person from such eligi-
16 ble contractor, and

17 “(C) used by any person as a residence
18 during the taxable year.”.

19 (2) **EFFECTIVE DATE.**—The amendments made
20 by this subsection shall take effect as if included in
21 section 1332 of the Energy Policy Act of 2005.

1 **SEC. 202. EXTENSION AND MODIFICATION OF DEDUCTION**
2 **FOR ENERGY EFFICIENT COMMERCIAL**
3 **BUILDINGS.**

4 (a) EXTENSION.—Subsection (h) of section 179D
5 (relating to termination) is amended to read as follows:

6 “(h) TERMINATION.—This section shall not apply
7 with respect to property—

8 “(1) which is certified under subsection (d)(6)
9 after December 31, 2012, or

10 “(2) which is placed in service after December
11 31, 2014.

12 A provisional certification shall be treated as meeting the
13 requirements of paragraph (1) if it is based on the build-
14 ing plans, subject to inspection and testing after installa-
15 tion.”.

16 (b) INCREASE IN MAXIMUM AMOUNT OF DEDUC-
17 TION.—

18 (1) IN GENERAL.—Subparagraph (A) of section
19 179D(b)(1) is amended by striking “\$1.80” and in-
20 serting “\$2.25”.

21 (2) PARTIAL ALLOWANCE.—Paragraph (1) of
22 section 179D(d) is amended—

23 (A) by striking “\$.60” and inserting
24 “\$0.75”, and

25 (B) by striking “\$1.80” and inserting
26 “\$2.25”.

1 (c) MODIFICATIONS TO CERTAIN SPECIAL RULES.—

2 (1) METHODS OF CALCULATING ENERGY SAV-
3 INGS.—

4 (A) IN GENERAL.—Paragraph (2) of sec-
5 tion 179D(d) is amended—

6 (i) by inserting “in detail” after
7 “based”,

8 (ii) by inserting “, except that the
9 Secretary shall use Standard 90.1-2001 in
10 lieu of the California title 24 energy stand-
11 ards and the tables contained therein and
12 the Secretary may add requirements from
13 Standard 90.1-2001 (or any successor
14 standard)” before the period at the end,
15 and

16 (iii) by adding at the end the fol-
17 lowing new sentence: “The calculation
18 methods contained in such regulations
19 shall also provide for the calculation of ap-
20 propriate energy savings for design meth-
21 ods and technologies not otherwise credited
22 in such manual or standard, including en-
23 ergy savings associated with natural ven-
24 tilation, evaporative cooling, automatic
25 lighting controls (such as occupancy sen-

1 sors, photocells, and time clocks), day
2 lighting, designs utilizing semi-conditioned
3 spaces which maintain adequate comfort
4 conditions without air conditioning or with-
5 out heating, improved fan system efficiency
6 (including reductions in static pressure),
7 advanced unloading mechanisms for me-
8 chanical cooling (such as multiple or vari-
9 able speed compressors), on-site generation
10 of electricity (including combined heat and
11 power systems, fuel cells, and renewable
12 energy generation such as solar energy),
13 and wiring with lower energy losses than
14 wiring satisfying Standard 90.1-2001 re-
15 quirements for building power distribution
16 systems.”.

17 (B) REQUIREMENTS FOR COMPUTER SOFT-
18 WARE USED IN CALCULATING ENERGY AND
19 POWER CONSUMPTION COSTS.—Paragraph
20 (3)(B) of section 179D(d) is amended by strik-
21 ing “and” at the end of clause (ii), by striking
22 the period at the end of clause (iii) and insert-
23 ing “, and”, and by adding at the end the fol-
24 lowing:

25 “(iv) which automatically—

1 “(I) generates the features, en-
2 ergy use, and energy and power con-
3 sumption costs of a reference building
4 which meets Standard 90.1–2001,

5 “(II) generates the features, en-
6 ergy use, and energy and power con-
7 sumption costs of a compliant build-
8 ing or system which reduces the an-
9 nual energy and power costs by 50
10 percent compared to Standard 90.1–
11 2001, and

12 “(III) compares such features,
13 energy use, and consumption costs to
14 the features, energy use, and con-
15 sumption costs of the building or sys-
16 tem with respect to which the calcula-
17 tion is being made.”.

18 (2) TARGETS FOR PARTIAL ALLOWANCE OF
19 CREDIT.—Paragraph (1)(B) of section 179D(d) is
20 amended—

21 (A) by striking “The Secretary” and in-
22 serting the following:

23 “(i) IN GENERAL.—The Secretary”,
24 and

25 (B) by adding at the end the following:

1 “(ii) ADDITIONAL REQUIREMENTS.—

2 For purposes of clause (i)—

3 “(I) the Secretary shall deter-
4 mine prescriptive criteria that can be
5 modeled explicitly for reference build-
6 ings which meet the requirements of
7 subsection (c)(1)(D) for different
8 building types and regions,

9 “(II) a system may be certified
10 as meeting the target under subpara-
11 graph (A)(ii) if the appropriate ref-
12 erence building either meets the re-
13 quirements of subsection (c)(1)(D)
14 with such system rather than the
15 comparable reference system (using
16 the calculation under paragraph (2))
17 or meets the relevant prescriptive cri-
18 teria under subclause (I), and

19 “(III) the lighting system target
20 shall be based on lighting power den-
21 sity, except that it shall allow lighting
22 controls credits that trade off for
23 lighting power density savings based
24 on Section 3.2.2 of the 2005 Cali-

1 fornia Nonresidential Alternative Cal-
2 culation Method Approval Manual.

3 “(iii) PUBLICATION.—The Secretary
4 shall publish in the Federal Register the
5 bases for the target levels established in
6 the regulations under clause (i).”.

7 (d) ALTERNATIVE STANDARDS.—Section 179D(d) is
8 amended by adding at the end the following new para-
9 graph:

10 “(7) ALTERNATIVE STANDARDS PENDING
11 FINAL REGULATIONS.—Until such time as the Sec-
12 retary issues final regulations under paragraph
13 (1)(B)—

14 “(A) in the case of property which is part
15 of a building envelope, the building envelope
16 system target under paragraph (1)(A)(ii) shall
17 be a 7 percent reduction in total annual energy
18 and power costs (determined in the same man-
19 ner as under subsection (c)(1)(D)), and

20 “(B) in the case of property which is part
21 of the heating, cooling, ventilation, and hot
22 water systems, the heating, cooling, ventilation,
23 and hot water system shall be treated as meet-
24 ing the target under paragraph (1)(A)(ii) if it
25 would meet the requirement in subsection

1 (c)(1)(D) if combined with a building envelope
2 system and lighting system which met their re-
3 spective targets under paragraph(1)(A)(ii) (in-
4 cluding interim targets in effect under sub-
5 sections (f) and subparagraph (A)).”.

6 (e) MODIFICATIONS TO LIGHTING STANDARDS.—

7 (1) STANDARDS TO BE ALTERNATE STAND-
8 ARDS.—Subsection (f) of section 179D is amended
9 by—

10 (A) striking “INTERIM” in the heading and
11 inserting “ALTERNATIVE”, and

12 (B) inserting “, or, if the taxpayer elects,
13 in lieu of the target set forth in such final regu-
14 lations” after “lighting system” at the end of
15 the matter preceding paragraph (1).

16 (2) QUALIFIED INDIVIDUALS.—Section
17 179D(d)(6)(C) is amended by adding at the end the
18 following: “For purposes of certification of whether
19 the alternative target for lighting systems under
20 subsection (f) is met, individuals qualified to deter-
21 mine compliance shall include individuals who are
22 certified as Lighting Certified (LC) by the National
23 Council on Qualifications for the Lighting Profes-
24 sions, Certified Energy Managers (CEM) by the As-
25 sociation of Energy Engineers, and LEED Accred-

1 ited Professionals (AP) by the U.S. Green Buildings
2 Council.”.

3 (3) REQUIREMENT FOR BILEVEL SWITCHING.—
4 Section 179D(f)(2) is amended by adding at the end
5 the following new subparagraph:

6 “(3) APPLICATION OF SUBSECTION TO BILEVEL
7 SWITCHING.—

8 “(A) IN GENERAL.—Notwithstanding para-
9 graph (2)(C)(i), this subsection shall apply to a
10 system which does not include provisions for
11 bilevel switching if the reduction in lighting
12 power density is at least 37.5 percent of the
13 minimum requirements in Table 9.3.1.1 or
14 Table 9.3.1.2. (not including additional interior
15 lighting allowances) of Standard 90.1–2001.

16 “(B) REDUCTION IN DEDUCTION.—In the
17 case of a system to which this subsection ap-
18 plies by reason of subparagraph (A), paragraph
19 (2) shall be applied—

20 “(i) by substituting ‘50 percent’ for
21 ‘40 percent’ in subparagraph (A) thereof,
22 and

23 “(ii) in subparagraph (B)(ii) there-
24 of—

1 “(I) by substituting ‘37.5 per-
2 centage points’ for ‘25 percentage
3 points’, and

4 “(II) by substituting ‘12.5’ for
5 ‘15’.”.

6 (f) PUBLIC PROPERTY.—Paragraph (4) of section
7 179(d) is amended by striking “the Secretary shall pro-
8 mulgate a regulation to allow the allocation of the deduc-
9 tion” and inserting “the deduction under this section shall
10 be allowed”.

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

15 **SEC. 203. DEDUCTION FOR ENERGY EFFICIENT LOW-RISE**
16 **BUILDINGS.**

17 (a) IN GENERAL.—Part VI of subchapter B of chap-
18 ter 1, as amended by section 404 of division A of the Tax
19 Relief and Health Care Act of 2006, is amended by insert-
20 ing after section 179E the following new section:

21 **“SEC. 179F. ENERGY EFFICIENT LOW-RISE BUILDINGS DE-**
22 **DUCTION.**

23 “(a) IN GENERAL.—There shall be allowed as a de-
24 duction an amount equal to the amount of qualified energy

1 efficiency expenditures paid or incurred by the taxpayer
2 during the taxable year.

3 “(b) LIMITATIONS.—

4 “(1) IN GENERAL.—The amount allowed as a
5 credit under subsection (a) with respect to any
6 dwelling unit shall not exceed the product of—

7 “(A) the qualified energy savings achieved,
8 and

9 “(B) \$12,000.

10 “(2) MINIMUM AMOUNT OF QUALIFIED ENERGY
11 SAVINGS.—No credit shall be allowed under sub-
12 section (a) with respect to any dwelling unit in a
13 qualified low-rise building which achieves a qualified
14 energy savings of less than 20 percent.

15 “(c) QUALIFIED ENERGY EFFICIENCY EXPENDI-
16 TURES.—For purposes of this section—

17 “(1) IN GENERAL.—The term ‘qualified energy
18 efficiency expenditures’ means any amount paid or
19 incurred which is related to producing qualified en-
20 ergy savings in any dwelling unit located in a quali-
21 fied low-rise building of the taxpayer which is lo-
22 cated in the United States.

23 “(2) NO DOUBLE BENEFIT FOR CERTAIN EX-
24 PENDITURES.—The term ‘qualified energy efficiency
25 expenditures’ shall not include any expenditure for

1 any property for which a deduction has been allowed
2 to the taxpayer under section 179G.

3 “(3) QUALIFIED LOW-RISE BUILDING.—The
4 term ‘qualified low-rise building’ means a building—

5 “(A) with respect to which depreciation is
6 allowable under section 167,

7 “(B) which is used for multifamily hous-
8 ing, and

9 “(C) which is not within the scope of
10 Standard 90.1–2001 (as defined under section
11 179D(c)(2)).

12 “(d) QUALIFIED ENERGY SAVINGS.—For purposes of
13 this section—

14 “(1) IN GENERAL.—The term ‘qualified energy
15 savings’ means, with respect to any dwelling unit in
16 a qualified low-rise building, the amount (measured
17 as a percentage) by which—

18 “(A) the annual energy use with respect to
19 such dwelling unit after qualified energy effi-
20 ciency expenditures are made, as certified under
21 paragraph (2), is less than

22 “(B) the annual energy use with respect to
23 such dwelling unit before the qualified energy
24 efficiency expenditures were made, as certified
25 under paragraph (2).

1 In determining annual energy use under subpara-
2 graph (B), any energy efficiency improvements
3 which are not attributable to qualified energy effi-
4 ciency expenditures shall be disregarded.

5 “(2) CERTIFICATION.—

6 “(A) IN GENERAL.—The Secretary, in con-
7 sultation with the Secretary of Energy, shall
8 prescribe the procedures and method for the
9 making of certifications under this paragraph
10 based on the Residential Energy Services Net-
11 work (RESNET) Technical Guidelines in effect
12 on the date of the enactment of this Act.

13 “(B) QUALIFIED INDIVIDUALS.—Any cer-
14 tification made under this paragraph may only
15 be made by an individual who is recognized by
16 an organization certified by the Secretary for
17 such purposes.

18 “(e) SPECIAL RULES.—For purposes of this section,
19 rules similar to the rules under paragraphs (8) and (9)
20 of section 25D(e) shall apply.

21 “(f) BASIS ADJUSTMENTS.—For purposes of this
22 subtitle, if a credit is allowed under this section with re-
23 spect to any expenditure with respect to any property, the
24 increase in the basis of such property which would (but

1 for this subsection) result from such expenditure shall be
2 reduced by the amount of the credit so allowed.

3 “(g) TERMINATION.—This section shall not apply
4 with respect to any property placed in service after Decem-
5 ber 31, 2011.”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 263(a)(1), as amended by section
8 404 of division A of the Tax Relief and Health Care
9 Act of 2006, the is amended by striking “or” at the
10 end of subparagraph (K), by striking the period at
11 the end of subparagraph (L) and inserting “, or”,
12 and by inserting after subparagraph (L) the fol-
13 lowing new subparagraph:

14 “(M) expenditures for which a deduction is
15 allowed under section 179F.”.

16 (2) Section 312(k)(3)(B) is amended by strik-
17 ing “179, 179A, 179B, 179C, 179D, or 179E” each
18 place it appears in the heading and text and insert-
19 ing “179, 179A, 179B, 179C, 179D, 179E, or
20 179F”.

21 (3) Section 1016(a), as amended by section
22 101, is amended by striking “and” at the end of
23 paragraph (37), by striking the period at the end of
24 paragraph (38) and inserting “, and”, and by add-
25 ing at the end the following new paragraph:

1 “(39) to the extent provided in section
2 179F(f).”.

3 (4) Section 1245(a) is amended by inserting
4 “179F,” after “179E,” both places it appears in
5 paragraphs (2)(C) and (3)(C).

6 (5) The table of sections for part VI of sub-
7 chapter B is amended by inserting after the item re-
8 lating to section 179E the following new item:

 “Sec. 179F. Energy efficient low-rise buildings deduction.”.

9 (c) **EFFECTIVE DATE.**—The amendments made by
10 this section shall apply to amounts paid or incurred in tax-
11 able years beginning after the date of the enactment of
12 this Act.

13 **SEC. 204. ENERGY EFFICIENT PROPERTY DEDUCTION.**

14 (a) **IN GENERAL.**—Part VI of subchapter B of chap-
15 ter 1, as amended by section 203, is amended by inserting
16 after section 179F the following new section:

17 **“SEC. 179G. ENERGY EFFICIENT PROPERTY.**

18 “(a) **IN GENERAL.**—There shall be allowed as a de-
19 duction an amount equal to the energy efficient property
20 expenditures paid or incurred by the taxpayer during the
21 taxable year.

22 “(b) **LIMITATION.**—The amount of the deduction al-
23 lowed under subsection (a) for any taxable years shall not
24 exceed—

1 “(1) \$150 for any advanced main air circu-
2 lating fan,

3 “(2) \$450 for any qualified natural gas furnace
4 or qualified propane furnace, and

5 “(3) \$900 for—

6 “(A) any item of energy-efficient building
7 property, and

8 “(B) any qualified oil furnace, qualified
9 natural gas hot water boiler, qualified propane
10 hot water boiler, or qualified oil hot water boil-
11 er.

12 “(c) ENERGY EFFICIENT PROPERTY EXPENDI-
13 TURES.—For purposes of this section—

14 “(1) IN GENERAL.—The term ‘energy efficient
15 property expenditures’ means expenditures paid by
16 the taxpayer for qualified energy property which is—

17 “(A) of a character subject to the allow-
18 ance for depreciation, and

19 “(B) originally placed in service by the tax-
20 payer.

21 “(2) QUALIFIED ENERGY PROPERTY.—The
22 term ‘qualified energy property’ has the meaning
23 given such term by section 25C(d)(2).

24 “(d) BASIS ADJUSTMENTS.—For purposes of this
25 subtitle, if a deduction is allowed under this section with

1 respect to any expenditure with respect to any property,
2 the increase in the basis of such property which would (but
3 for this subsection) result from such expenditure shall be
4 reduced by the amount of the deduction so allowed.

5 “(e) TERMINATION.—This section shall not apply
6 with respect to any property placed in service after Decem-
7 ber 31, 2011.”.

8 (b) NO DOUBLE BENEFIT.—Section 179D(c) is
9 amended by adding at the end the following new para-
10 graph:

11 “(3) CERTAIN PROPERTY EXCLUDED.—The
12 term ‘energy efficient commercial building property’
13 does not include any property with respect to which
14 a credit has been allowed to the taxpayer under sec-
15 tion 179G.”.

16 (c) CONFORMING AMENDMENTS.—

17 (1) Section 263(a)(1), as amended by section
18 203, is amended by striking “or” at the end of sub-
19 paragraph (K), by striking the period at the end of
20 subparagraph (L) and inserting “, or”, and by in-
21 serting after subparagraph (L) the following new
22 subparagraph:

23 “(M) expenditures for which a deduction is
24 allowed under section 179G.”.

1 (2) Section 312(k)(3)(B), as amended by sec-
2 tion 203, is amended by striking “179, 179A, 179B,
3 179C, 179D, 179E, or 179F” each place it appears
4 in the heading and text and inserting “179, 179A,
5 179B, 179C, 179D, 179E, 179F, or 179G”.

6 (3) Section 1016(a), as amended by section
7 203, is amended by striking “and” at the end of
8 paragraph (38), by striking the period at the end of
9 paragraph (39) and inserting “, and”, and by add-
10 ing at the end the following new paragraph:

11 “(40) to the extent provided in section
12 179G(e).”.

13 (4) Section 1245(a), as amended by section 203
14 is amended by inserting “179G,” after “179F,” both
15 places it appears in paragraphs (2)(C) and (3)(C).

16 (5) The table of sections for part VI of sub-
17 chapter B is amended by inserting after the item re-
18 lating to section 179F the following new item:

“Sec. 179G. Energy efficient property.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to property placed in service in
21 taxable years beginning after the date of the enactment
22 of this Act.

1 **TITLE III—INCENTIVES FOR EN-**
2 **ERGY SAVINGS CERTIFI-**
3 **CATIONS**

4 **SEC. 301. CREDIT FOR ENERGY SAVINGS CERTIFICATIONS.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-
6 chapter A of chapter 1 is amended by adding at the end
7 the following new section:

8 **“SEC. 450. ENERGY SAVINGS CERTIFICATION CREDIT.**

9 “(a) IN GENERAL.—For purposes of section 38, the
10 energy savings certification credit determined under this
11 section for any taxable year is an amount equal to the
12 sum of—

13 “(1) the qualified training and certification
14 costs paid or incurred by the taxpayer which may be
15 taken into account for such taxable year, plus

16 “(2) the qualified certification equipment ex-
17 penditures paid or incurred by the taxpayer which
18 may be taken into account for such taxable year.

19 “(b) **QUALIFIED TRAINING AND CERTIFICATION**
20 **COSTS.—**

21 “(1) IN GENERAL.—The term ‘qualified train-
22 ing and certification costs’ means costs paid or in-
23 curred for training which is required for the tax-
24 payer or employees of the taxpayer to be certified by
25 the Secretary under section 25D(d)(2)(B) or

1 179F(d)(2)(B) for the purpose of certifying energy
2 savings.

3 “(2) LIMITATION.—The qualified training and
4 certification costs taken into account under sub-
5 section (a)(1) for the taxable year with respect to
6 any individual shall not exceed \$500 reduced by the
7 amount of the credit allowed under subsection (a)(1)
8 to the taxpayer (or any predecessor) with respect to
9 such individual for all prior taxable years.

10 “(3) YEAR COSTS TAKEN INTO ACCOUNT.—
11 Qualified training and certifications costs with re-
12 spect to any individual shall not be taken into ac-
13 count under subsection (a)(1) before the taxable
14 year in which the individual with respect to whom
15 such costs are paid or incurred has performed 25
16 certifications under sections 25E(d)(2)(A) and
17 179F(d)(2)(A).

18 “(c) QUALIFIED CERTIFICATION EQUIPMENT EX-
19 PENDITURES.—

20 “(1) IN GENERAL.—The term ‘qualified train-
21 ing equipment expenditures’ means costs paid or in-
22 curred for—

23 “(A) blower doors,

24 “(B) duct leakage testing equipment,

25 “(C) flue gas combustion equipment, and

1 “(D) digital manometers.

2 “(2) LIMITATION.—

3 “(A) IN GENERAL.—The qualified certifi-
4 cation equipment expenditures taken into ac-
5 count under subsection (a)(2) with respect to
6 any taxpayer for any taxable year shall not ex-
7 ceed \$1,000.

8 “(B) LIMITATION ON INDIVIDUAL
9 ITEMS.—The qualified certification equipment
10 expenditures taken into account under sub-
11 section (a)(2) shall not exceed—

12 “(i) \$500 with respect to any blower
13 door or duct leakage testing equipment,
14 and

15 “(ii) \$100 with respect to any flue gas
16 combustion equipment or digital manom-
17 eter.

18 “(3) YEAR EXPENDITURES TAKEN INTO AC-
19 COUNT.—The qualified certification equipment ex-
20 penditures of any taxpayer shall not be taken into
21 account under subsection (a)(2) before the taxable
22 year in which the taxpayer has performed 25 certifi-
23 cations under sections 25E(d)(2)(A) and
24 179F(d)(2)(A).

25 “(d) SPECIAL RULES.—

1 “(1) AGGREGATION RULES.—For purposes of
2 this section, all persons treated as a single employer
3 under subsections (a) and (b) of section 52 shall be
4 treated as 1 person.

5 “(2) BASIS REDUCTION.—The basis of any
6 property shall be reduced by the portion of the cost
7 of such property taken into account under sub-
8 section (a).

9 “(3) DENIAL OF DOUBLE BENEFIT.—

10 “(A) IN GENERAL.—No deduction shall be
11 allowed for that portion of the expenses other-
12 wise allowable as a deduction for the taxable
13 year which is equal to the amount taken into
14 account under subsection (a) for such taxable
15 year.

16 “(B) AMOUNT PREVIOUSLY DEDUCTED.—
17 No credit shall be allowed under subsection (a)
18 with respect to any amount for which a deduc-
19 tion has been allowed in any preceding taxable
20 year.”.

21 (b) CREDIT TREATED AS PART OF GENERAL BUSI-
22 NESS CREDIT.—Section 38(b) is amended by striking
23 “plus” at the end of paragraph (30), by striking the period
24 at the end of paragraph (31) and inserting “plus”, and
25 by adding at the end the following new paragraph:

1 “(32) the energy savings certification credit de-
2 termined under section 45O(a).”.

3 (c) CONFORMING AMENDMENTS.—

4 (1) Section 1016(a), as amended by this Act, is
5 amended by striking “and” at the end of paragraph
6 (39), by striking the period at the end of paragraph
7 (40) and inserting “and”, and by adding at the end
8 the following new paragraph:

9 “(41) to the extent provided in section
10 45O(d)(2).”.

11 (2) The table of sections for subpart D of part
12 IV of subchapter A of chapter 1 is amended by in-
13 serting after the item relating to section 45N the
14 following new item:

 “Sec. 45O. Energy savings certification credit.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to amounts paid or incurred after
17 the date of the enactment of this Act.