

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 5775

To amend the Internal Revenue Code of 1986 to provide a credit to certain concentrated animal feeding operations for the cost of complying with environmental protection regulations.

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## IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2006

Mr. OSBORNE introduced the following bill; which was referred to the  
Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit to certain concentrated animal feeding operations for the cost of complying with environmental protection regulations.

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.**

4       This Act may be cited as the “CAFO Tax Credit  
5       Act”.

1 **SEC. 2. CREDIT FOR CONCENTRATED ANIMAL FEEDING OP-**  
 2 **ERATIONS.**

3 (a) IN GENERAL.—Subpart D of part IV of sub-  
 4 chapter A of chapter 1 of the Internal Revenue Code of  
 5 1986 (relating to business related credits) is amended by  
 6 adding at the end the following new section:

7 **“SEC. 45N. CREDIT FOR EPA COMPLIANCE COSTS FOR CON-**  
 8 **CENTRATED ANIMAL FEEDING OPERATIONS.**

9 “(a) ALLOWANCE OF CREDIT.—

10 “(1) IN GENERAL.—For purposes of section 38,  
 11 in the case of an eligible taxpayer, the EPA compli-  
 12 ance credit determined under this section for the  
 13 taxable year is an amount equal to the applicable  
 14 percentage of the qualified compliance costs paid or  
 15 incurred by the eligible taxpayer during the taxable  
 16 year.

17 “(2) APPLICABLE PERCENTAGE.—For purposes  
 18 of paragraph (1), the applicable percentage shall be  
 19 determined as follows:

<b>“If the amount of qualified compliance costs paid or in- curred during the taxable year is:</b>	<b>The applicable percentage is:</b>
Not over \$100,000 .....	100
Over \$100,000 but not over \$200,000 .....	80
Over \$200,000 but not over \$400,000 .....	60
Over \$400,000 .....	40.

20 “(b) LIMITATION.—The amount of credit allowed  
 21 under subsection (a) for any taxable year shall not exceed  
 22 \$500,000.

1       “(c) ELIGIBLE TAXPAYER.—For purposes of this sec-  
2 tion, the term ‘eligible taxpayer’ means an owner or oper-  
3 ator of a concentrated animal feeding operation (as de-  
4 fined under section 122.23 of title 40, Code of Federal  
5 Regulations).

6       “(d) QUALIFIED COMPLIANCE COSTS.—For purposes  
7 of this section—

8               “(1) IN GENERAL.—The term ‘qualified compli-  
9 ance costs’ means costs paid or incurred for compli-  
10 ance with a national pollutant discharge elimination  
11 system permit issued under section 402 of the Fed-  
12 eral Water Pollution Control Act (33 U.S.C. 1342).

13               “(2) EXCLUSION FOR AMOUNTS FUNDED BY  
14 GRANTS, ETC.—The term ‘qualified compliance  
15 costs’ shall not include any amount to the extent  
16 such amount is funded by any grant, contract, or  
17 otherwise by another person (or any governmental  
18 entity).

19       “(e) SPECIAL RULES.—

20               “(1) REDUCTION IN BASIS.—For purposes of  
21 this subtitle, if a credit is determined under this sec-  
22 tion for any expenditure with respect to any prop-  
23 erty, the increase in basis of such property which  
24 would (but for this subsection) result from such ex-

1       penditure shall be reduced by the amount of the  
2       credit so determined.

3               “(2) WHEN COSTS PAID OR INCURRED.—For  
4       purposes of this section, a cost shall be treated as  
5       paid or incurred in the year in which the taxpayer  
6       achieves compliance with the national pollutant dis-  
7       charge elimination system permit issued under sec-  
8       tion 402 of the Federal Water Pollution Control Act  
9       (33 U.S.C. 1342).

10              “(3) DENIAL OF DOUBLE BENEFIT.—No deduc-  
11       tion or other credit shall be allowed under this chap-  
12       ter for any amount taken into account in deter-  
13       mining the credit under this section.

14              “(f) TERMINATION.—This section shall not apply to  
15       expenditures paid or incurred after December 31, 2010.”.

16       (b) CREDIT MADE PART OF GENERAL BUSINESS  
17       CREDIT.—Section 38(b) of the Internal Revenue Code of  
18       1986 is amended by striking “and” at the end of para-  
19       graph (29), by striking the period at the end of paragraph  
20       (30) and inserting “, plus”, and by adding at the end the  
21       following new paragraph:

22              “(31) the EPA compliance credit determined  
23       under section 45N(a).”.

24       (c) CONFORMING AMENDMENTS.—

1           (1) Section 1016(a) of the Internal Revenue  
2           Code of 1986 is amended by striking “and” at the  
3           end of paragraph (36), by striking the period at the  
4           end of paragraph (37) and inserting “, and”, and by  
5           inserting after paragraph (37) the following new  
6           paragraph:

7           “(38) to the extent provided in section  
8           45N(e)(1).”.

9           (2) The table of sections for subpart D of part  
10          IV of subchapter A of chapter 1 of such Code is  
11          amended by adding at the end the following new  
12          item:

“Sec. 45N. Credit for compliance costs for concentrated animal feeding oper-  
ations.”.

13          (d) **EFFECTIVE DATE.**—The amendments made by  
14          this section shall apply to expenditures incurred after De-  
15          cember 31, 2002.

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