

103^D CONGRESS
2^D SESSION

H. R. 2026

To amend the Internal Revenue Code of 1986 to encourage energy efficiency and the production and use of renewable energy.

IN THE HOUSE OF REPRESENTATIVES

MAY 6, 1993

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

JANUARY 27, 1994

Additional sponsors: Mr. HAMBURG and Mrs. UNSOELD

A BILL

To amend the Internal Revenue Code of 1986 to encourage energy efficiency and the production and use of renewable energy.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Renewables and Energy Efficiency Incentives Act of
6 1993”.

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 **TITLE I—INCENTIVES FOR PRO-**
6 **DUCTION AND USE OF RE-**
7 **NEWABLE ENERGY SOURCES**

8 **SEC. 101. ENERGY-RELATED CREDITS MAY OFFSET 25 PER-**
9 **CENT OF MINIMUM TAX.**

10 (a) IN GENERAL.—Section 38(c) (relating to limita-
11 tion based on amount of tax) is amended by redesignating
12 paragraph (2) as paragraph (3) and by inserting after
13 paragraph (1) the following new paragraph:

14 “(2) ENERGY CREDITS MAY OFFSET 25 PER-
15 CENT OF MINIMUM TAX.—

16 “(A) IN GENERAL.—In the case of the en-
17 ergy credit—

18 “(i) this section and section 39 shall
19 be applied separately with respect to such
20 credit, and

21 “(ii) for purposes of applying para-
22 graph (1) to such credit—

23 “(I) 75 percent of the tentative
24 minimum tax shall be substituted for

1 the tentative minimum tax under sub-
2 paragraph (A) thereof, and

3 “(II) the limitation under para-
4 graph (1) (as modified by subclause
5 (I)) shall be reduced by the credit al-
6 lowed under subsection (a) for the
7 taxable year (other than the energy
8 credit).

9 “(B) ENERGY CREDIT.—For purposes of
10 this paragraph, the term ‘energy credit’ means
11 the portion of the credit under subsection (a)
12 which is attributable to the credits determined
13 under sections 45 and 48(a).”

14 (b) EFFECTIVE DATE.—The amendment made by
15 subsection (a) shall apply to taxable years beginning after
16 December 31, 1993.

17 **SEC. 102. SMALL WIND TURBINES ELIGIBLE FOR ENERGY**
18 **CREDIT.**

19 (a) IN GENERAL.—Subparagraph (A) of section
20 48(a)(3) (defining energy property) is amended by strik-
21 ing “or” at the end of clause (i), by redesignating clause
22 (ii) as clause (iii), and by inserting after clause (i) the
23 following new clause:

24 “(ii) equipment which uses wind en-
25 ergy to generate electricity but only if such

1 equipment has a rated capacity of 50 kilo-
2 watts or less and is not primarily used in
3 the trade or business of producing elec-
4 tricity for sale to an unrelated person, or”.

5 (b) EFFECTIVE DATE.—The amendment made by
6 subsection (a) shall apply to property placed in service
7 after December 31, 1993.

8 **SEC. 103. LESSEES ELIGIBLE FOR CREDIT FOR ELEC-**
9 **TRICITY PRODUCED FROM CERTAIN RENEW-**
10 **ABLE RESOURCES.**

11 (a) IN GENERAL.—Paragraph (3) of section 45(c)
12 (defining qualified facility) is amended by striking “owned
13 by the taxpayer” and inserting “operated by the tax-
14 payer”.

15 (b) EFFECTIVE DATE.—The amendment made by
16 subsection (a) shall apply to taxable years beginning after
17 December 31, 1993.

18 **SEC. 104. CLARIFICATION OF APPLICATION OF ENERGY**
19 **CREDIT TO PROPERTY USING SOLAR EN-**
20 **ERGY.**

21 (a) IN GENERAL.—Paragraph (3) of section 48(a)
22 (relating to energy credit) is amended by adding at the
23 end thereof the following: “Equipment shall be treated as
24 satisfying the requirement of subparagraph (A)(i) that it
25 use solar energy if its average annual use of energy from

1 sources other than solar energy does not exceed 50 percent
2 of its total energy input.”

3 (b) EFFECTIVE DATE.—The amendment made by
4 subsection (a) shall apply to property placed in service
5 after December 31, 1993.

6 **TITLE II—INCENTIVES TO** 7 **PROMOTE ENERGY EFFICIENCY**

8 **SEC. 201. LARGE ELECTRIC TRUCKS, VANS, AND BUSES ELI-** 9 **GIBLE FOR DEDUCTION FOR CLEAN-FUEL VE-** 10 **HICLES.**

11 (a) IN GENERAL.—Paragraph (3) of section 179A(c)
12 (defining qualified clean-fuel vehicle property) is amended
13 by adding at the end thereof the following: “The preceding
14 sentence shall not apply to any vehicle described in
15 subclause (I) or (II) of subsection (b)(1)(A)(iii).”

16 (b) DENIAL OF CREDIT.—Subsection (c) of section
17 30 is amended by adding at the end thereof the following
18 new paragraph:

19 “(3) DENIAL OF CREDIT FOR VEHICLES FOR
20 WHICH DEDUCTION ALLOWABLE.—The term ‘quali-
21 fied electric vehicle’ shall not include any vehicle de-
22 scribed in subclause (I) or (II) of section
23 179A(b)(1)(A)(iii).”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to property placed in service after
3 December 31, 1993.

4 **SEC. 202. DEDUCTION FOR ENERGY CONSERVATION EX-**
5 **PENDITURES BY CERTAIN UTILITIES.**

6 (a) IN GENERAL.—Part VI of subchapter B of chap-
7 ter 1 (relating to itemized deductions for individuals and
8 corporations) is amended by inserting after section 196
9 the following new section:

10 **“SEC. 197. ENERGY CONSERVATION EXPENDITURES BY**
11 **ELECTRIC AND GAS UTILITIES.**

12 “(a) GENERAL RULE.—In the case of an electric or
13 gas utility, there shall be allowed as a deduction for the
14 taxable year an amount equal to the energy conservation
15 expenditures paid or incurred by the taxpayer during such
16 taxable year.

17 “(b) ENERGY CONSERVATION EXPENDITURES.—For
18 purposes of this section, the term ‘energy conservation ex-
19 penditures’ means expenditures for—

20 “(1) subsidies provided directly or indirectly to
21 customers for the purchase, installation, or modifica-
22 tion of—

23 “(A) any device or service primarily de-
24 signed to reduce consumption of electricity, nat-

1 ural gas, or steam or to improve the manage-
2 ment of energy demand, or

3 “(B) any specially defined energy property
4 (as defined in section 136(c)(2)(A)),

5 “(2) energy use consulting and audits of com-
6 mercial, residential, and industrial properties, or

7 “(3) administrative, promotional, and other
8 costs associated with expenditures described in para-
9 graph (1) or (2).

10 Such term shall not include any expenditure taken into
11 account in determining the basis of any tangible property
12 which is owned by the taxpayer and which is of a character
13 subject to the allowance for depreciation.

14 “(c) ELECTRIC OR GAS UTILITY.—For purposes of
15 this section, the term ‘electric or gas utility’ means any
16 corporation engaged in the furnishing or sale of electric
17 energy, natural gas, or steam if the rates for such furnish-
18 ing or sale have been established or approved by a State
19 or political subdivision thereof, by any agency or instru-
20 mentality of the United States, or by a public utility or
21 public service commission or other similar body of any
22 State or political subdivision thereof or of the District of
23 Columbia.”

24 (b) CONFORMING AMENDMENTS.—

1 (1) Paragraph (1) of section 263(a) is amended
2 by striking “; or” at the end of subparagraph (F)
3 and inserting a comma, by striking the period at the
4 end of subparagraph (G) and inserting “, or”, and
5 by adding at the end thereof the following new sub-
6 paragraph:

7 “(H) expenditures for which a deduction is
8 allowed under section 197.”

9 (2) The table of sections for part VI of sub-
10 chapter B of chapter 1 is amended by adding at the
11 end thereof the following new item:

 “Sec. 197. Energy conservation expenditures by electric and gas
 utilities.”

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to expenditures paid or incurred
14 in taxable years beginning after December 31, 1980.

15 **SEC. 203. FULL EXCLUSION FOR ENERGY CONSERVATION**
16 **SUBSIDIES PROVIDED WITH RESPECT TO**
17 **NONRESIDENTIAL PROPERTY.**

18 (a) IN GENERAL.—Subsection (a) of section 136 (re-
19 lating to energy conservation subsidies provided by public
20 utilities) is amended to read as follows:

21 “(a) EXCLUSION.—Gross income shall not include
22 the value of any subsidy provided (directly or indirectly)
23 by a public utility to a customer for the purchase or instal-
24 lation of any energy conservation measure.”

1 (b) CONFORMING AMENDMENT.—Paragraph (1) of
2 section 136(c) (defining energy conservation measure) is
3 amended by striking “demand—” and all that follows and
4 inserting “demand with respect to any property.”

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to subsidies provided after Decem-
7 ber 31, 1993.

8 **TITLE III—REVENUE INCREASES**

9 **SEC. 301. REDUCTION OF TAX SUBSIDIES FOR ETHANOL** 10 **FUEL MIXTURES.**

11 (a) REDUCTION OF CREDIT FOR ETHANOL BLEND-
12 ERS.—Subsection (h) of section 40 (relating to alcohol
13 used as fuel) is amended—

14 (1) by striking “54 cents” each place it appears
15 and inserting “35 cents”, and

16 (2) by striking “40 cents” each place it appears
17 and inserting “21 cents”.

18 (b) REDUCTION OF FUEL TAX SUBSIDIES.—

19 (1) Subparagraph (A) of section 4081(c)(1) (re-
20 lating to gasoline mixed with alcohol at refinery,
21 etc.) is amended—

22 (A) by striking “6.1 cents” each place it
23 appears and inserting “8.0 cents”,

24 (B) by striking “7.342 cents” each place it
25 appears and inserting “8.805 cents”, and

1 (C) by striking “8.422 cents” each place it
2 appears and inserting “9.505 cents”

3 (2) Clause (i) of section 4041(b)(2)(A) (relating
4 to reduction in special fuels tax for qualified meth-
5 anol and ethanol fuel) is amended by striking “5.4
6 cents” and inserting “3.5 cents”.

7 (c) EFFECTIVE DATE.—The amendments made by
8 this section shall take effect on January 1, 1994.

9 **SEC. 302. REPEAL OF EXCLUSION FOR INTEREST ON BONDS**
10 **ISSUED TO FINANCE ELECTRIC GENERATING**
11 **FACILITIES FUELED BY COAL, PETROLEUM,**
12 **OR NUCLEAR POWER.**

13 (a) IN GENERAL.—Section 149 (relating to bonds
14 must be registered to be tax exempt; other requirements)
15 is amended by adding at the end thereof the following new
16 subsection:

17 “(h) BONDS USED TO FINANCE CERTAIN ELECTRIC
18 GENERATING FACILITIES NOT TAX-EXEMPT.—Nothing
19 in section 103(a) or in any other provision of law shall
20 be construed to provide an exemption from Federal income
21 tax for interest on any bond issued as part of an issue
22 if any portion of such issue is used to provide facilities
23 for the furnishing of electricity if such electricity is gener-
24 ating using nuclear power, coal, crude oil, or any petro-
25 leum product.”

1 (b) CONFORMING AMENDMENT.—Paragraph (8) of
2 section 142(a) is amended by inserting “except as pro-
3 vided in section 149(h),” before “facilities”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to bonds issued after the date of
6 the enactment of this Act.

7 **SEC. 303. REPEAL OF TAX-EXEMPT STATUS FOR ELECTRIC**
8 **COOPERATIVES.**

9 (a) IN GENERAL.—Subparagraph (A) of section
10 501(c)(12) (relating to list of exempt organizations) is
11 amended by inserting “(other than electric companies)”
12 after “like organizations”.

13 (b) CONFORMING AMENDMENTS.—

14 (1) Paragraph (12) of section 501(c) is amend-
15 ed by striking subparagraph (C) and by redesignat-
16 ing subparagraph (D) as subparagraph (C).

17 (2) Subparagraph (C) of section 501(c)(12), as
18 redesignated by paragraph (1), is amended—

19 (A) by striking “or electric” each place it
20 appears, and

21 (B) by striking “of electricity or”.

22 (3) Subsection (d) of section 513 is amended by
23 striking “or electric”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1993.

4 **SEC. 304. INCREASED TAXES ON CRUDE OIL.**

5 (a) IN GENERAL.—Paragraph (1) of section 4611(c)
6 (relating to rate of tax on petroleum) is amended by strik-
7 ing “and” at the end of subparagraph (A), by striking
8 the period at the end of subparagraph (B) and inserting
9 “, and”, and by adding at the end thereof the following
10 new subparagraph:

11 “(C) the petroleum security rate.”

12 (b) RATE OF TAX.—Paragraph (2) of section 4611(c)
13 is amended by striking “and” at the end of subparagraph
14 (A), by striking the period at the end of subparagraph
15 (B) and inserting “, and”, and by adding at the end there-
16 of the following new subparagraph:

17 “(C) the petroleum security rate is 5 cents
18 a barrel.”

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall take effect on January 1, 1994.

21 **SEC. 305. DEDUCTION FOR PERCENTAGE DEPLETION FOR**
22 **OIL AND GAS WELLS LIMITED TO ADJUSTED**
23 **BASIS.**

24 (a) IN GENERAL.—Subsection (d) of section 613A
25 (relating to limitations on percentage depletion in case of

1 oil and gas wells) is amended by adding at the end thereof
2 the following new paragraph:

3 “(6) LIMITATION BASED ON ADJUSTED
4 BASIS.—The deduction for the taxable year attrib-
5 utable to the application of subsection (c) with re-
6 spect to any property shall not exceed the adjusted
7 basis of such property at the end of the taxable year
8 (determined without regard to the depletion deduc-
9 tion for such taxable year).”

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 1993.

13 **SEC. 306. REPEAL OF EXCEPTION FROM PASSIVE LOSS LIM-**
14 **ITATION FOR WORKING INTERESTS IN OIL**
15 **AND GAS PROPERTIES.**

16 (a) IN GENERAL.—Subsection (c) of section 469 (re-
17 lating to passive activity losses and credits limited) is
18 amended by striking paragraph (3) and by redesignating
19 paragraphs (4) through (6) as paragraphs (3) through
20 (5), respectively.

21 (b) CONFORMING AMENDMENT.—Paragraph (3) of
22 section 469(c), as redesignated by subsection (a), is
23 amended—

24 (1) by striking “PARAGRAPHS (2) AND (3)” in
25 the heading and inserting “PARAGRAPH (2)”, and

1 (2) by striking “Paragraphs (2) and (3)” in the
2 text and inserting “Paragraph (2)”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 1993.

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