



## H.R. 7060 – Renewable Energy and Job Creation Act of 2008

---

### FLOOR SITUATION

---

This legislation, an amendment to the Senate amendment to H.R. 6049, is expected to be considered on the floor of the House on September 25, 2008.

This legislation is being considered on the floor under a closed rule. The rule:

- Provides one hour of debate equally divided and controlled by the Chairman and Ranking Member of the Committee on Ways and Means;
- Waives all points of order against consideration of the bill except those arising under clause 10 (PAYGO) of rule XXI;
- Provides that the bill shall be considered as read;
- Waives all points of order against the bill;
- Provides one motion to recommit with or without instructions;
- Provides that, notwithstanding the operation of the previous question, the Chair may postpone further consideration to a time designated by the Speaker; and
- Tables House Resolution 1489 and 1501.

The House passed its version of the bill on May 21, 2008, by a vote of 263-160. The Senate passed the bill with an amendment on September 23, 2008, by a vote of 93-2.

---

### SUMMARY

---

#### **Title I - Energy Tax Incentives**

**Renewable Energy Tax Credit:** The bill extends and modifies the production tax credit, through the end of 2009, for generating electricity from sources such as wind. Other energy sources such as geothermal; closed-loop biomass; hydropower; landfill gas; and trash combustion facilities are also extended. It also creates a tax credit for a new energy production category – marine renewable, which is energy derived from waves, tides, and currents. The bill creates a new limitation on the amount of credits that can be claimed with respect to property placed in service after 2009.

**Solar Energy and Fuel Cell Investment Tax Credit:** The bill extends and modifies the tax credit for commercial solar energy and fuel cells through the end of 2016. It increases the credit limitation for fuel cell property from \$500 to \$1,500 per half kilowatt of capacity.

**Coal Electricity Projects:** The bill provides \$1.1 billion in tax credits for advanced coal electricity projects. It requires the Secretary to give highest priority to projects with the greatest separation and sequestration percentage of total carbon dioxide emissions.

**Coal Excise Taxes:** The bill allows for the refund of certain taxes collected on exported coal. Coal producers or exporters could receive a refund (plus interest) from the Treasury for coal exports between October 1, 1990, and the date of enactment.

**Energy Tax Credits:** The bill modifies and/or extends a number of energy-related tax incentives including:

- Tax credit for alternative refueling stations (decrease revenues by \$237 million over 10 years)
- Biodiesel production and renewable diesel tax credits (decrease revenues by \$507 million over 10 years)



- Tax credits for energy-efficient upgrades to existing homes (decrease revenues by \$725 million over 10 years)
- Enhanced tax deduction for energy-efficient commercial buildings (decrease revenues by \$891 million over 10 years)
- Tax credit to manufacturers of energy-efficient appliances (decrease revenues by \$323 million over 10 years)
- Coal gasification investment credit

### New Energy Tax Provisions

- Plug-in electric vehicle tax credit (decrease revenues by \$1.056 billion over 10 years)
- Extending transportation fringe benefits to those who commute to work by bicycle (decrease revenues by \$10 million over 10 years)
- Five-year depreciation of "smart meters"
- Tax credit for production of cellulosic ethanol (revenue neutral over 10 years)
- Tax credit for the production of cellulosic biofuels (revenue neutral over 10 years)

### Title II – Extension of Temporary Provisions

#### Two-Year Extensions Primarily Affecting Individuals:

- Deduction for State and local sales tax
- Qualified Tuition and Related Expenses above the line deduction
- Special rules for the treatment of certain dividends of regulated investment companies
- Tax free distributions from individual retirement plans for charitable contributions
- Deduction for certain expenses of elementary and secondary school teachers
- Extends standard deduction for real property through 2009

#### Two-Year Extensions Primarily Affecting Business:

- Research and Development tax credit
- Indian employment tax credit
- New Market tax credit
- Railroad Track Maintenance Credit
- The 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant property
- The 7-year cost recovery period for Motorsports Racing Track Facilities
- The accelerated depreciation for business property on Indian Reservation
- Extends the expensing of brown fields environmental remediation costs
- Deduction for income attributable to domestic production activities in Puerto Rico
- American Samoa economic development credit
- Deduction for charitable contributions of food inventory
- Deduction for charitable contributions of book inventory to public schools
- Deduction for corporate contributions of computer equipment for education purposes
- Work opportunity tax credit for employers who hire employees who were affected by Hurricane Katrina

Qualified Zone Academy Bonds: The bill allows an additional \$400 million of QZAB issuing authority to State and local governments for rehabilitating or repairing a public school facility in which the academy is established, providing equipment, developing course material, and training teachers for the academy.

S-Corporations: The bill extends the provision allowing S corporation shareholders to take into account their share of charitable deduction even if it would exceed their basis in the S corporation.



**Film and Television Productions:** The bill extends the special expensing rules for certain film and television productions, as well as making favorable modifications to the application of Section 199 to such productions permanently.

### **Title III – Additional Tax Relief**

**Child Tax Credit:** The bill increases the eligibility for the child tax credit in 2009 by lowering the floor to \$8,500 for 2009.

### **Title IV – Revenue Provisions**

**Freeze of Manufacturing Deductions for Certain Oil Companies:** The bill would freeze the manufacturing deduction (section 199 of the tax code) for exploration, production and refining of oil and natural gas, which was created in 2004 to help encourage the preservation and expansion of manufacturing jobs in the United States at the current level of 6 percent.

*\* Note: The House voted on similar versions of this provision that would repeal the manufacturing deduction for oil companies several times this Congress during consideration of H.R. 6, H.R. 2776, H.R. 5351, and H.R. 6899.*

**Basis Reporting by Brokers on Sales of Stock:** This bill would create mandatory cost basis reporting by brokers for transactions involving publicly traded securities. This provision will raise \$6.7 billion over ten years.

**Federal Unemployment Tax Act Extension:** The bill extends the 0.2 percent FUTA surtax for one year. This provision will raise \$1.5 billion over ten years.

**Oil Spill Liability Trust Fund:** The bill would extend the oil spill tax through December 31, 2017, and increases the per barrel tax from 5 cents to 8 cents from 2009 through 2016 and to 9 cents in 2017. It also repeals the requirement that the tax be suspended when the unobligated balance exceeds \$2.7 billion.

**Foreign Oil and Gas Extraction Income:** The bill eliminates the distinction between foreign oil and gas extraction income ("FOGEI") and foreign oil related income ("FORI"). Currently, these designations carry separate foreign tax credit limitations. This provision will raise \$2.2 billion over ten years.

**Current Inclusion of Deferred Compensation:** This bill would tax individuals on a current basis if they receive deferred compensation from certain tax indifferent parties. This provision is expected to raise revenue by \$24.8 billion over ten years.

**Worldwide Interest Allocation:** In 2004, Congress authorized a change in the way interest incurred in the United States and abroad respectively is allocated for the purposes of determining a taxpayer's foreign tax credit eligibility. The implementation of this tax benefit was delayed until tax year 2008, and H.R. 6983 will further delay its implementation for two years (until 2011) and further reduce the value of the provision in 2011, by 70 percent, but not following years.

**Corporate Estimated Taxes:** The bill increases the percentage of corporate estimated taxes by 54 percentage points.

---

#### BACKGROUND

Several tax relief provisions expired at the end of 2007 or are set to expire at the end of 2008. Congress extended many of these provisions as a part of the Tax Relief and Health Care Act of 2006 (P.L. 109-462). In addition, Congress passed the Tax Increase Prevention Act (P.L. 110-166) which ensured that



# LEGISLATIVE DIGEST

HOUSE REPUBLICAN CONFERENCE | CHAIRMAN ADAM PUTNAM

1420 LONGWORTH HOB, WASHINGTON, DC 20515

www.GOP.gov

PHONE 202.225.5107

FAX 202.226.0154

the Alternative Minimum Tax (AMT) did not affect 23 million American families for tax year 2007 on December 27, 2008. This bill does not address the AMT issue, but affects various energy taxes, revenue provisions, and temporary tax provisions.

The House passed its version of H.R. 6049 on May 21, 2008, by a vote of 263-160. The Senate recently passed its version on September 23, 2008, by a vote of 93-2. The Senate's version of the bill included AMT language and disaster relief provisions. These provisions are not included in this legislation, but are expected to be considered separately by the House. This legislation provides for shorter time frame extensions of tax provisions than established in the Senate's bill. For this reason, this version is fully offset, unlike the Senate legislation.

This legislation also includes portions of several energy-related tax provisions that were previously passed in five similar House- passed energy tax bills: H.R. 6 (passed [228-193](#) on 1/18/07); H.R. 2776 (passed [221-189](#) on 8/4/07); H.R. 6 as amended (passed [235-181](#) on 12/6/07); H.R. 5351 (passed [236-182](#) on 2/27/080); and H.R. 6049 (passed [263-160](#) on May 21, 2008.)

---

#### COST

The Congressional Budget Office (CBO) has not produced a cost estimate for this legislation as of September 25, 2008.

---

#### STAFF CONTACT

For questions or further information contact the Policy Office at 6-2302.