

106TH CONGRESS
2D SESSION

S. 3092

To provide incentives for improved and efficient use of energy sources, and
for other purposes.

IN THE SENATE OF THE UNITED STATES

SEPTEMBER 21, 2000

Mr. CONRAD introduced the following bill; which was read twice and referred
to the Committee on Finance

A BILL

To provide incentives for improved and efficient use of energy
sources, 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.**

4 This Act may be cited as the “Domestic Energy Secu-
5 rity Improvement Act of 2000”.

1 **TITLE I—OIL AND GAS**
2 **INCENTIVES**
3 **Subtitle A—Production From**
4 **Marginal and Inactive Wells**

5 **SEC. 101. TAX CREDIT FOR MARGINAL DOMESTIC OIL AND**
6 **NATURAL GAS WELL PRODUCTION.**

7 (a) CREDIT FOR PRODUCING OIL AND GAS FROM
8 MARGINAL WELLS.—Subpart D of part IV of subchapter
9 A of chapter 1 of the Internal Revenue Code of 1986 (re-
10 lating to business credits) is amended by adding at the
11 end the following new section:

12 **“SEC. 45D. CREDIT FOR PRODUCING OIL AND GAS FROM**
13 **MARGINAL WELLS.**

14 “(a) GENERAL RULE.—For purposes of section 38,
15 the marginal well production credit for any taxable year
16 is an amount equal to the product of—

17 “(1) the credit amount, and

18 “(2) the qualified crude oil production and the
19 qualified natural gas production which is attrib-
20 utable to the taxpayer.

21 “(b) CREDIT AMOUNT.—For purposes of this
22 section—

23 “(1) IN GENERAL.—The credit amount is—

24 “(A) \$3 per barrel of qualified crude oil
25 production, and

1 “(B) 50 cents per 1,000 cubic feet of
2 qualified natural gas production.

3 “(2) REDUCTION AS OIL AND GAS PRICES IN-
4 CREASE.—

5 “(A) IN GENERAL.—The \$3 and 50 cents
6 amounts under paragraph (1) shall each be re-
7 duced (but not below zero) by an amount which
8 bears the same ratio to such amount (deter-
9 mined without regard to this paragraph) as—

10 “(i) the excess (if any) of the applica-
11 ble reference price over \$14 (\$1.56 for
12 qualified natural gas production), bears to

13 “(ii) \$3 (\$0.33 for qualified natural
14 gas production).

15 The applicable reference price for a taxable
16 year is the reference price for the calendar year
17 preceding the calendar year in which the tax-
18 able year begins.

19 “(B) INFLATION ADJUSTMENT.—In the
20 case of any taxable year beginning in a calendar
21 year after 2000, each of the dollar amounts
22 contained in subparagraph (A) shall be in-
23 creased to an amount equal to such dollar
24 amount multiplied by the inflation adjustment
25 factor for such calendar year (determined under

1 section 43(b)(3)(B) by substituting ‘1999’ for
2 ‘1990’).

3 “(C) REFERENCE PRICE.—For purposes of
4 this paragraph, the term ‘reference price’
5 means, with respect to any calendar year—

6 “(i) in the case of qualified crude oil
7 production, the reference price determined
8 under section 29(d)(2)(C), and

9 “(ii) in the case of qualified natural
10 gas production, the Secretary’s estimate of
11 the annual average wellhead price per
12 1,000 cubic feet for all domestic natural
13 gas.

14 “(c) QUALIFIED CRUDE OIL AND NATURAL GAS
15 PRODUCTION.—For purposes of this section—

16 “(1) IN GENERAL.—The terms ‘qualified crude
17 oil production’ and ‘qualified natural gas production’
18 mean domestic crude oil or natural gas which is pro-
19 duced from a marginal well.

20 “(2) LIMITATION ON AMOUNT OF PRODUCTION
21 WHICH MAY QUALIFY.—

22 “(A) IN GENERAL.—Crude oil or natural
23 gas produced during any taxable year from any
24 well shall not be treated as qualified crude oil
25 production or qualified natural gas production

1 to the extent production from the well during
2 the taxable year exceeds 1,095 barrels or barrel
3 equivalents.

4 “(B) PROPORTIONATE REDUCTIONS.—

5 “(i) SHORT TAXABLE YEARS.—In the
6 case of a short taxable year, the limitations
7 under this paragraph shall be proportion-
8 ately reduced to reflect the ratio which the
9 number of days in such taxable year bears
10 to 365.

11 “(ii) WELLS NOT IN PRODUCTION EN-
12 TIRE YEAR.—In the case of a well which is
13 not capable of production during each day
14 of a taxable year, the limitations under
15 this paragraph applicable to the well shall
16 be proportionately reduced to reflect the
17 ratio which the number of days of produc-
18 tion bears to the total number of days in
19 the taxable year.

20 “(3) DEFINITIONS.—

21 “(A) MARGINAL WELL.—The term ‘mar-
22 ginal well’ means a domestic well which during
23 the taxable year has marginal production (as
24 defined in section 613A(c)(6)).

1 “(B) CRUDE OIL, ETC.—The terms ‘crude
2 oil’, ‘natural gas’, ‘domestic’, and ‘barrel’ have
3 the meanings given such terms by section
4 613A(e).

5 “(C) BARREL EQUIVALENT.—The term
6 ‘barrel equivalent’ means, with respect to nat-
7 ural gas, a conversion ratio of 6,000 cubic feet
8 of natural gas to 1 barrel of crude oil.

9 “(d) OTHER RULES.—

10 “(1) PRODUCTION ATTRIBUTABLE TO THE TAX-
11 PAYER.—In the case of a marginal well in which
12 there is more than one owner of operating interests
13 in the well and the crude oil or natural gas produc-
14 tion exceeds the limitation under subsection (c)(2),
15 qualifying crude oil production or qualifying natural
16 gas production attributable to the taxpayer shall be
17 determined on the basis of the ratio which tax-
18 payer’s revenue interest in the production bears to
19 the aggregate of the revenue interests of all oper-
20 ating interest owners in the production.

21 “(2) OPERATING INTEREST REQUIRED.—Any
22 credit under this section may be claimed only on
23 production which is attributable to the holder of an
24 operating interest.

1 “(3) PRODUCTION FROM NONCONVENTIONAL
2 SOURCES EXCLUDED.—In the case of production
3 from a marginal well which is eligible for the credit
4 allowed under section 29 for the taxable year, no
5 credit shall be allowable under this section unless
6 the taxpayer elects not to claim the credit under sec-
7 tion 29 with respect to the well.”.

8 (b) CREDIT TREATED AS BUSINESS CREDIT.—Sec-
9 tion 38(b) of the Internal Revenue Code of 1986 is amend-
10 ed by striking “plus” at the end of paragraph (11), by
11 striking the period at the end of paragraph (12) and in-
12 serting “, plus”, and by adding at the end the following
13 new paragraph:

14 “(13) the marginal oil and gas well production
15 credit determined under section 45D(a).”.

16 (c) CREDIT ALLOWED AGAINST REGULAR AND MIN-
17 IMUM TAX.—

18 (1) IN GENERAL.—Subsection (c) of section 38
19 of the Internal Revenue Code of 1986 (relating to
20 limitation based on amount of tax) is amended by
21 redesignating paragraph (3) as paragraph (4) and
22 by inserting after paragraph (2) the following new
23 paragraph:

24 “(3) SPECIAL RULES FOR MARGINAL OIL AND
25 GAS WELL PRODUCTION CREDIT.—

1 “(A) IN GENERAL.—In the case of the
2 marginal oil and gas well production credit—

3 “(i) this section and section 39 shall
4 be applied separately with respect to the
5 credit, and

6 “(ii) in applying paragraph (1) to the
7 credit—

8 “(I) subparagraphs (A) and (B)
9 thereof shall not apply, and

10 “(II) the limitation under para-
11 graph (1) (as modified by subclause
12 (I)) shall be reduced by the credit al-
13 lowed under subsection (a) for the
14 taxable year (other than the marginal
15 oil and gas well production credit).

16 “(B) MARGINAL OIL AND GAS WELL PRO-
17 Duction CREDIT.—For purposes of this sub-
18 section, the term ‘marginal oil and gas well pro-
19 duction credit’ means the credit allowable under
20 subsection (a) by reason of section 45D(a).”.

21 (2) CONFORMING AMENDMENT.—Subclause (II)
22 of section 38(c)(2)(A)(ii) of such Code is amended
23 by inserting “or the marginal oil and gas well pro-
24 duction credit” after “employment credit”.

1 (d) CARRYBACK.—Subsection (a) of section 39 of the
2 Internal Revenue Code of 1986 (relating to carryback and
3 carryforward of unused credits generally) is amended by
4 adding at the end the following new paragraph:

5 “(3) 10-YEAR CARRYBACK FOR MARGINAL OIL
6 AND GAS WELL PRODUCTION CREDIT.—In the case
7 of the marginal oil and gas well production credit—

8 “(A) this section shall be applied sepa-
9 rately from the business credit (other than the
10 marginal oil and gas well production credit),

11 “(B) paragraph (1) shall be applied by
12 substituting ‘10 taxable years’ for ‘1 taxable
13 years’ in subparagraph (A) thereof, and

14 “(C) paragraph (2) shall be applied—

15 “(i) by substituting ‘31 taxable years’
16 for ‘21 taxable years’ in subparagraph (A)
17 thereof, and

18 “(ii) by substituting ‘30 taxable years’
19 for ‘20 taxable years’ in subparagraph (B)
20 thereof.”.

21 (e) COORDINATION WITH SECTION 29.—Section
22 29(a) of the Internal Revenue Code of 1986 is amended
23 by striking “There” and inserting “At the election of the
24 taxpayer, there”.

1 (f) CLERICAL AMENDMENT.—The table of sections
 2 for subpart D of part IV of subchapter A of chapter 1
 3 of the Internal Revenue Code of 1986 is amended by add-
 4 ing at the end the following item:

“45D. Credit for producing oil and gas from marginal wells.”.

5 (g) EFFECTIVE DATE.—The amendments made by
 6 this section shall apply to production after the date of the
 7 enactment of this Act.

8 **SEC. 102. EXCLUSION OF CERTAIN AMOUNTS RECEIVED**
 9 **FROM RECOVERED INACTIVE WELLS.**

10 (a) IN GENERAL.—Part III of subchapter B of chap-
 11 ter 1 of the Internal Revenue Code of 1986 (relating to
 12 items specifically excluded from gross income) is amended
 13 by redesignating section 139 as section 140 and by insert-
 14 ing after section 138 the following new section:

15 **“SEC. 139. OIL OR GAS PRODUCED FROM A RECOVERED IN-**
 16 **ACTIVE WELL.**

17 “(a) IN GENERAL.—Gross income does not include
 18 income attributable to independent producer oil from a re-
 19 covered inactive well.

20 “(b) DEFINITIONS.—For purposes of this section—

21 “(1) INDEPENDENT PRODUCER OIL.—The term
 22 ‘independent producer oil’ means crude oil or nat-
 23 ural gas in which the economic interest of the inde-
 24 pendent producer is attributable to an operating
 25 mineral interest (within the meaning of section

1 614(d)), overriding royalty interest, production pay-
2 ment, net profits interest, or similar interest.

3 “(2) CRUDE OIL AND NATURAL GAS.—The
4 terms ‘crude oil’ and ‘natural gas’ have the mean-
5 ings given such terms by section 613A(e).

6 “(3) RECOVERED INACTIVE WELL.—The term
7 ‘recovered inactive well’ means a well if—

8 “(A) throughout the time period beginning
9 any time prior to January 15, 1999, and ending
10 on such date, such well is inactive or has been
11 plugged and abandoned, as determined by the
12 agency of the State in which such well is lo-
13 cated that is responsible for regulating such
14 wells, and

15 “(B) during the 5-year period beginning on
16 the date of the enactment of this section, such
17 well resumes producing crude oil or natural gas.

18 “(4) INDEPENDENT PRODUCER.—The term
19 ‘independent producer’ means a producer of crude
20 oil or natural gas whose allowance for depletion is
21 determined under section 613A(c).

22 “(c) DEDUCTIONS.—No deductions directly con-
23 nected with amounts excluded from gross income by sub-
24 section (a) shall be allowed.

25 “(d) ELECTION.—

1 “(1) IN GENERAL.—This section shall apply for
2 any taxable year only at the election of the taxpayer.

3 “(2) MANNER.—Such election shall be made, in
4 accordance with regulations prescribed by the Sec-
5 retary, not later than the time prescribed for filing
6 the return (including extensions thereof) and shall
7 be made annually on a property-by-property basis.”.

8 (b) MINIMUM TAX.—Section 56(g)(4)(B) of the In-
9 ternal Revenue Code of 1986 is amended by adding at the
10 end the following new clause:

11 “(iii) INACTIVE WELLS.—In the case
12 of income attributable to independent pro-
13 ducers of oil recovered from an inactive
14 well, clause (i) shall not apply to any
15 amount allowable as an exclusion under
16 section 139.”.

17 (c) CLERICAL AMENDMENT.—The table of sections
18 for part III of subchapter B of chapter 1 of the Internal
19 Revenue Code of 1986 is amended by striking the item
20 relating to section 139 and inserting the following:

 “Sec. 139. Oil or gas produced from a recovered inactive well.
 “Sec. 140. Cross references to other Acts.”.

21 (d) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years ending after the
23 date of the enactment of this Act.

1 **Subtitle B—Other Incentives**

2 **SEC. 111. ELECTION TO EXPENSE GEOLOGICAL AND GEO-** 3 **PHYSICAL EXPENDITURES.**

4 (a) IN GENERAL.—Section 263 of the Internal Rev-
5 enue Code of 1986 (relating to capital expenditures) is
6 amended by adding at the end the following new sub-
7 section:

8 “(j) GEOLOGICAL AND GEOPHYSICAL EXPENDI-
9 TURES FOR DOMESTIC OIL AND GAS WELLS.—Notwith-
10 standing subsection (a), a taxpayer may elect to treat geo-
11 logical and geophysical expenses incurred in connection
12 with the exploration for, or development of, oil or gas with-
13 in the United States (as defined in section 638) as ex-
14 penses which are not chargeable to capital account. Any
15 expenses so treated shall be allowed as a deduction in the
16 taxable year in which paid or incurred.”.

17 (b) CONFORMING AMENDMENT.—Section 263A(e)(3)
18 of the Internal Revenue Code of 1986 is amended by in-
19 serting “263(j),” after “263(i),”.

20 (c) EFFECTIVE DATE.—

21 (1) IN GENERAL.—The amendments made by
22 this section shall apply to expenses paid or incurred
23 after the date of the enactment of this Act.

24 (2) TRANSITION RULE.—In the case of any ex-
25 penses described in section 263(j) of the Internal

1 Revenue Code of 1986, as added by this section,
2 which were paid or incurred on or before the date
3 of the enactment of this Act, the taxpayer may elect,
4 at such time and in such manner as the Secretary
5 of the Treasury may prescribe, to amortize the
6 unamortized portion of such expenses over the 36-
7 month period beginning with the month in which the
8 date of the enactment of this Act occurs. For pur-
9 poses of this paragraph, the unamortized portion of
10 any expense is the amount remaining unamortized
11 as of the first day of the 36-month period.

12 **SEC. 112. ELECTION TO EXPENSE DELAY RENTAL PAY-**
13 **MENTS.**

14 (a) IN GENERAL.—Section 263 of the Internal Rev-
15 enue Code of 1986 (relating to capital expenditures), as
16 amended by section 111(a), is amended by adding at the
17 end the following new subsection:

18 “(k) DELAY RENTAL PAYMENTS FOR DOMESTIC OIL
19 AND GAS WELLS.—

20 “(1) IN GENERAL.—Notwithstanding subsection
21 (a), a taxpayer may elect to treat delay rental pay-
22 ments incurred in connection with the development
23 of oil or gas within the United States (as defined in
24 section 638) as payments which are not chargeable
25 to capital account. Any payments so treated shall be

1 allowed as a deduction in the taxable year in which
2 paid or incurred.

3 “(2) DELAY RENTAL PAYMENTS.—For purposes
4 of paragraph (1), the term ‘delay rental payment’
5 means an amount paid for the privilege of deferring
6 development of an oil or gas well.”.

7 (b) CONFORMING AMENDMENT.—Section 263A(e)(3)
8 of the Internal Revenue Code of 1986, as amended by sec-
9 tion 112(b), is amended by inserting “263(k),” after
10 “263(j),”.

11 (c) EFFECTIVE DATE.—

12 (1) IN GENERAL.—The amendments made by
13 this section shall apply to payments made or in-
14 curred after the date of the enactment of this Act.

15 (2) TRANSITION RULE.—In the case of any
16 payments described in section 263(k) of the Internal
17 Revenue Code of 1986, as added by this section,
18 which were made or incurred on or before the date
19 of the enactment of this Act, the taxpayer may elect,
20 at such time and in such manner as the Secretary
21 of the Treasury may prescribe, to amortize the
22 unamortized portion of such payments over the 36-
23 month period beginning with the month in which the
24 date of the enactment of this Act occurs. For pur-
25 poses of this paragraph, the unamortized portion of

1 any payment is the amount remaining unamortized
 2 as of the first day of the 36-month period.

3 **SEC. 113. EXTENSION OF SPUDDING RULE.**

4 (a) IN GENERAL.—Section 461(i)(2)(A) of the Inter-
 5 nal Revenue Code of 1986 (relating to special rule for
 6 spudding of oil or gas wells) is amended by striking “90th
 7 day” and inserting “180th day”.

8 (b) EFFECTIVE DATE.—The amendment made by
 9 this section shall apply to taxable years beginning after
 10 December 31, 2000.

11 **SEC. 114. ENHANCED OIL RECOVERY CREDIT EXTENDED TO**
 12 **CERTAIN NONTERTIARY RECOVERY METH-**
 13 **ODS.**

14 (a) IN GENERAL.—Clause (i) of section 43(c)(2)(A)
 15 of the Internal Revenue Code of 1986 (defining qualified
 16 enhanced oil recovery project) is amended to read as fol-
 17 lows:

18 “(i) which involves the application (in
 19 accordance with sound engineering prin-
 20 ciples) of—

21 “(I) one or more tertiary recov-
 22 ery methods (as defined in section
 23 193(b)(3)) which can reasonably be
 24 expected to result in more than an in-
 25 significant increase in the amount of

1 crude oil which will ultimately be re-
 2 covered, or

3 “(II) one or more nontertiary re-
 4 covery methods which are required to
 5 recover oil with traditionally immobile
 6 characteristics or from formations
 7 which have proven to be uneconomical
 8 or noncommercial under conventional
 9 recovery methods.”.

10 (b) QUALIFIED NONTERTIARY RECOVERY METH-
 11 ODS.—Section 43(c)(2) of the Internal Revenue Code of
 12 1986 is amended by adding at the end the following new
 13 subparagraphs:

14 “(C) QUALIFIED NONTERTIARY RECOVERY
 15 METHOD.—For purposes of this paragraph—

16 “(i) IN GENERAL.—The term ‘quali-
 17 fied nontertiary recovery method’ means
 18 any recovery method described in clause
 19 (ii), (iii), or (iv), or any combination there-
 20 of.

21 “(ii) ENHANCED GRAVITY DRAINAGE
 22 (EGD) METHODS.—The methods described
 23 in this clause are as follows:

24 “(I) HORIZONTAL DRILLING.—
 25 The drilling of horizontal, rather than

1 vertical, wells to penetrate any hydro-
2 carbon-bearing formation which has
3 an average in situ calculated perme-
4 ability to fluid flow of less than or
5 equal to 12 or less millidarcies and
6 which has been demonstrated by use
7 of a vertical wellbore to be uneco-
8 nomical unless drilled with lateral hor-
9 izontal lengths in excess of 1,000 feet.

10 “(II) GRAVITY DRAINAGE.—The
11 production of oil by gravity flow from
12 drainholes that are drilled from a
13 shaft or tunnel dug within or below
14 the oil-bearing zone.

15 “(iii) marginally economic res-
16 ervoir repressurization (MERR) meth-
17 ods.—The methods described in this
18 clause are as follows, except that this
19 clause shall only apply to the first
20 1,000,000 barrels produced in any project:

21 “(I) CYCLIC GAS INJECTION.—
22 The increase or maintenance of pres-
23 sure by injection of hydrocarbon gas
24 into the reservoir from which it was
25 originally produced.

1 “(II) FLOODING.—The injection
2 of water into an oil reservoir to dis-
3 place oil from the reservoir rock and
4 into the bore of a producing well.

5 “(iv) OTHER METHODS.—Any method
6 used to recover oil having an average lab-
7 oratory measured air permeability less
8 than or equal to 100 millidarcies when
9 averaged over the productive interval being
10 completed, or an in situ calculated perme-
11 ability to fluid flow less than or equal to
12 12 millidarcies or oil defined by the De-
13 partment of Energy as being immobile.

14 “(D) AUTHORITY TO ADD OTHER NONTER-
15 TIARY RECOVERY METHODS.—The Secretary
16 shall provide procedures under which—

17 “(i) the Secretary may treat methods
18 not described in clause (ii), (iii), or (iv) of
19 subparagraph (C) as qualified nontertiary
20 recovery methods, and

21 “(ii) a taxpayer may request the Sec-
22 retary to treat any method not so de-
23 scribed as a qualified nontertiary recovery
24 method.

1 The Secretary may only specify methods as
2 qualified nontertiary recovery methods under
3 this subparagraph if the Secretary determines
4 that such specification is consistent with the
5 purposes of subparagraph (C) and will result in
6 greater production of oil and natural gas.”.

7 (c) CONFORMING AMENDMENT.—Clause (iii) of sec-
8 tion 43(c)(2)(A) of the Internal Revenue Code of 1986
9 is amended to read as follows:

10 “(iii) with respect to which—

11 “(I) in the case of a tertiary re-
12 covery method, the first injection of
13 liquids, gases, or other matter com-
14 mences after December 31, 1990, and

15 “(II) in the case of a qualified
16 nontertiary recovery method, the im-
17 plementation of the method begins
18 after December 31, 2000.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years ending after De-
21 cember 31, 2000.

1 **TITLE II—STRATEGIC**
2 **PETROLEUM RESERVE**

3 **SEC. 201. SALES AND PURCHASES.**

4 Section 161 of the Energy Policy and Conservation
5 Act (42 U.S.C. 6241) is amended—

6 (1) in subsection (b), by striking “(f), and (g),”
7 and inserting “(f), (g), and (k),”; and

8 (2) by adding at the end the following:

9 “(k) **DRAWDOWN WHEN THE PRICE OF CRUDE OIL**
10 **EXCEEDS A CERTAIN LEVEL.—**

11 “(1) **DEFINITIONS.—**In this subsection:

12 “(A) **DRAWDOWN TRIGGER PRICE.—**The
13 term ‘drawdown trigger price’ means a market
14 price of \$27.00 per barrel of crude oil, adjusted
15 annually in accordance with an appropriate
16 index of inflation, as determined by the Sec-
17 retary.

18 “(B) **PURCHASE TRIGGER PRICE.—**The
19 term ‘purchase trigger price’ means a market
20 price of \$20.00 per barrel of crude oil, adjusted
21 annually in accordance with an appropriate
22 index of inflation, as determined by the Sec-
23 retary.

24 “(2) **DRAWDOWN.—**At any time at which the
25 President determines that the market price of crude

1 oil exceeds the drawdown trigger price and that a
2 drawdown of the Strategic Petroleum Reserve would
3 be in the best interest of the United States, the Sec-
4 retary may draw down and distribute the Strategic
5 Petroleum Reserve at the market price.

6 “(3) PURCHASE.—Proceeds of drawdowns
7 under paragraph (2)—

8 “(A) shall be deposited in a special account
9 in the Treasury of the United States; and

10 “(B) may be used, without further Act of
11 appropriation, to purchase crude oil for storage
12 in the Strategic Petroleum Reserve when the
13 market price of crude oil is less than the pur-
14 chase trigger price.”.

15 **SEC. 202. AUTHORIZATION OF APPROPRIATIONS.**

16 Section 166 of the Energy Policy and Conservation
17 Act (42 U.S.C. 6246) is amended—

18 (1) by striking “fiscal year 2000” and inserting
19 “fiscal years 2001 through 2003”; and

20 (2) by striking “, to remain available only
21 through March 31, 2000”.

1 **TITLE III—WEATHERIZATION**
 2 **PROGRAM**

3 **SEC. 301. REPEAL OF COST-SHARING REQUIREMENT**

4 The matter under the heading “ENERGY CONSERVA-
 5 TION (INCLUDING TRANSFER OF FUNDS)” under the head-
 6 ing “DEPARTMENT OF ENERGY” in title II of the
 7 Department of the Interior and Related Agencies Appro-
 8 priations Act, 2000 (113 Stat. 1501A–180), is amended
 9 by striking the second proviso.

10 **TITLE IV—ALTERNATIVE FUELS**

11 **SEC. 401. ALLOCATION OF ALCOHOL FUELS CREDIT TO PA-**
 12 **TRONS OF A COOPERATIVE.**

13 (a) IN GENERAL.—Section 40(d) of the Internal Rev-
 14 enue Code of 1986 (relating to alcohol used as fuel) is
 15 amended by adding at the end the following:

16 “(6) ALLOCATION OF SMALL ETHANOL PRO-
 17 DUCER CREDIT TO PATRONS OF COOPERATIVE.—

18 “(A) IN GENERAL.—In the case of a coop-
 19 erative organization described in section
 20 1381(a), any portion of the credit determined
 21 under subsection (a)(3) for the taxable year
 22 may, at the election of the organization made
 23 on a timely filed return (including extensions)
 24 for such year, be apportioned pro rata among
 25 patrons of the organization on the basis of the

1 quantity or value of business done with or for
2 such patrons for the taxable year. Such an elec-
3 tion, once made, shall be irrevocable for such
4 taxable year.

5 “(B) TREATMENT OF ORGANIZATIONS AND
6 PATRONS.—The amount of the credit appor-
7 tioned to patrons pursuant to subparagraph
8 (A)—

9 “(i) shall not be included in the
10 amount determined under subsection (a)
11 for the taxable year of the organization,
12 and

13 “(ii) shall be included in the amount
14 determined under subsection (a) for the
15 taxable year of each patron in which the
16 patronage dividend for the taxable year re-
17 ferred to in subparagraph (A) is includible
18 in gross income.

19 “(C) SPECIAL RULE FOR DECREASING
20 CREDIT FOR TAXABLE YEAR.—If the amount of
21 the credit of a cooperative organization deter-
22 mined under subsection (a)(3) for a taxable
23 year is less than the amount of such credit
24 shown on the cooperative organization’s return
25 for such year, an amount equal to the excess of

1 (1) IN GENERAL.—Section 30(a) of the Internal
2 Revenue Code of 1986 (relating to allowance of
3 credit) is amended by striking “10 percent of”.

4 (2) LIMITATION OF CREDIT ACCORDING TO
5 TYPE OF VEHICLE.—Section 30(b) of such Code (re-
6 lating to limitations) is amended—

7 (A) by striking paragraphs (1) and (2) and
8 inserting the following new paragraph:

9 “(1) LIMITATION ACCORDING TO TYPE OF VE-
10 HICLE.—The amount of the credit allowed under
11 subsection (a) for any vehicle shall not exceed the
12 greatest of the following amounts applicable to such
13 vehicle:

14 “(A) In the case of a vehicle with a rated
15 top speed not exceeding 50 miles per hour, the
16 lesser of—

17 “(i) 10 percent of the cost of the vehi-
18 cle, or

19 “(ii) \$4,250.

20 “(B) In the case of a vehicle with a gross
21 vehicle weight rating not exceeding 8,500
22 pounds and a rated top speed exceeding 50
23 miles per hour, \$4,250.

24 “(C) In the case of a vehicle capable of a
25 driving range of at least 100 miles on a single

1 charge of the vehicle’s rechargeable batteries
2 and measured pursuant to the urban dynamom-
3 eter schedules under appendix I to part 86 of
4 title 40, Code of Federal Regulations, \$6,375.

5 “(D) In the case of a vehicle capable of a
6 payload capacity of at least 1000 pounds,
7 \$6,375.

8 “(E) In the case of a vehicle with a gross
9 vehicle weight rating exceeding 8,500 but not
10 exceeding 14,000 pounds, \$8,500.

11 “(F) In the case of a vehicle with a gross
12 vehicle weight rating exceeding 14,000 but not
13 exceeding 26,000 pounds, \$21,250.

14 “(G) In the case of a vehicle with a gross
15 vehicle weight rating exceeding 26,000 pounds,
16 \$42,500.”, and

17 (B) by redesignating paragraph (3) as
18 paragraph (2).

19 (3) CONFORMING AMENDMENTS.—

20 (A) Section 53(d)(1)(B)(iii) of such Code
21 is amended by striking “section 30(b)(3)(B)”
22 and inserting “section 30(b)(2)(B)”.

23 (3) Section 55(c)(2) of such Code is amended
24 by striking “30(b)(3)” and inserting “30(b)(2)”.

1 (b) QUALIFIED ELECTRIC VEHICLE.—Section
2 30(c)(1)(A) of the Internal Revenue Code of 1986 (defin-
3 ing qualified electric vehicle) is amended to read as fol-
4 lows:

5 “(A) which is powered primarily by an
6 electric motor drawing current from recharge-
7 able batteries, fuel cells which generate elec-
8 trical current from an alternative fuel (as de-
9 fined in section 30B(f)(1)), or other portable
10 sources of electrical current generated on board
11 the vehicle from an alternative fuel (as so de-
12 fined),”.

13 (c) ADDITIONAL SPECIAL RULES.—Section 30(d) of
14 the Internal Revenue Code of 1986 (relating to special
15 rules) is amended by adding at the end the following new
16 paragraphs:

17 “(5) NO DOUBLE BENEFIT.—The amount of
18 any deduction or credit allowable under this chapter
19 for any cost taken into account in computing the
20 amount of the credit determined under subsection
21 (a) shall be reduced by the amount of such credit at-
22 tributable to such cost.

23 “(6) LEASED VEHICLES.—No credit shall be al-
24 lowed under subsection (a) with respect to a leased
25 motor vehicle unless the lease documents clearly dis-

1 close to the lessee the specific amount of any credit
2 otherwise allowable to the lessor under subsection
3 (a).”.

4 (d) EXTENSION.—Section 30(e) of the Internal Rev-
5 enue Code of 1986 (relating to termination) is amended
6 by striking “2004” and inserting “2007”.

7 (e) EFFECTIVE DATE.—The amendments made by
8 this section shall apply to property placed in service after
9 December 31, 2000, in taxable years ending after such
10 date.

11 **TITLE VI—WIND PRODUCTION**
12 **TAX CREDIT**

13 **SEC. 601. EXTENSION OF PLACED IN SERVICE DATE.**

14 Section 45(c)(3)(A) of the Internal Revenue Code of
15 1986 (relating to qualified facility) is amended by striking
16 “January 1, 2002” and inserting “July 1, 2004”.

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