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(Original Signature of Member)

115TH CONGRESS
2D SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to provide investment and production tax credits for emerging energy technologies, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. REED introduced the following bill; which was referred to the Committee
on _____

A BILL

To amend the Internal Revenue Code of 1986 to provide investment and production tax credits for emerging energy technologies, 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 “Energy Sector Innova-
5 tion Credit Act of 2018”.

1 **SEC. 2. INVESTMENT CREDIT FOR EMERGING ENERGY**
2 **TECHNOLOGY.**

3 (a) IN GENERAL.—Subpart E of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 is amended by inserting after section 48C the fol-
6 lowing new section:

7 **“SEC. 48D. EMERGING ENERGY TECHNOLOGY CREDIT.**

8 “(a) IN GENERAL.—For purposes of section 46, the
9 emerging energy technology credit for any taxable year is
10 an amount equal to 30 percent of the basis of any qualified
11 emerging energy property placed in service by the taxpayer
12 during such taxable year.

13 “(b) QUALIFIED EMERGING ENERGY PROPERTY.—
14 For purposes of this section—

15 “(1) IN GENERAL.—The term ‘qualified emerg-
16 ing energy property’ means property which is con-
17 structed, reconstructed, erected, or acquired by the
18 taxpayer, the original use of which commences with
19 the taxpayer, and which is—

20 “(A) a qualified production facility (as de-
21 fined in section 45T(d), determined without re-
22 gard to paragraph (2) thereof) which is a tier
23 1 facility (as defined in section 45T(b)(2)(A)),
24 or

25 “(B) property which is placed in service at
26 and used in connection with an existing electric

1 generating facility which is a point source of air
2 pollutants to retrofit such facility and which,
3 with respect to such facility—

4 “(i) improves conversion efficiency (as
5 defined in section 45T(e)(2)) or energy ef-
6 ficiency (as defined in section 45T(e)(3))
7 by at least 50 percent,

8 “(ii) decreases water consumption, in
9 the case of a type of facility which has sig-
10 nificant water consumption, by at least 75
11 percent, or

12 “(iii) as recognized by the Environ-
13 mental Protection Agency pursuant to its
14 enforcement of the Clean Air Act (42
15 U.S.C. 7401 et seq.) or by administrative
16 action, reduces, sequesters, or controls by
17 at least 50 percent the emission of air pol-
18 lutants which can be reasonably antici-
19 pated to endanger public health or welfare.

20 “(2) DENIAL OF DOUBLE BENEFIT.—Such
21 term shall not include—

22 “(A) any property which,

23 “(B) property any portion of which, or

24 “(C) property placed in service at and used
25 in connection with a facility which,

1 has been treated as a qualified facility for purposes
2 of section 45(d), as an advanced nuclear power facil-
3 ity for purposes of section 45J, as a qualified facility
4 for purposes of section 45Q, as a qualified produc-
5 tion facility for purposes of section 45T, as energy
6 property for purposes of section 48, or as a qualified
7 investment for purposes of section 48A, 48B, or
8 48C, for any taxable year.

9 “(3) POINT SOURCE.—For purposes of para-
10 graph (1)(B), the term ‘point source’ means a large,
11 stationary and non-mobile, identifiable source of
12 emissions that releases pollutants into the atmos-
13 phere.

14 “(c) FIRST OF ITS KIND TECHNOLOGY.—

15 “(1) IN GENERAL.—In the case of any qualified
16 emerging energy property which is the first of its
17 kind, subsection (a) shall be applied by substituting
18 ‘40 percent’ for ‘30 percent’.

19 “(2) FIRST OF ITS KIND.—Property shall be
20 treated as the first of its kind if such property is 1
21 of the first 3 original demonstrations in the United
22 States of an engineering design for megawatt-scale
23 electric power generation which generates revenue
24 from sales of electric power.

25 “(3) DETERMINATION.—

1 “(A) IN GENERAL.—The Secretary, in con-
2 sultation with the Secretary of Energy, shall de-
3 velop a process to determine whether qualified
4 emerging energy property is first of its kind.
5 Such process shall include a certification, at the
6 request of the taxpayer before the commence-
7 ment of construction, that the property will be
8 treated as first of its kind. Such process shall
9 be designed to make a determination not later
10 than 90 days after the submission of an appli-
11 cation for determination.

12 “(B) TERMINATION IF CONSTRUCTION
13 DOES NOT PROCEED.—Except as otherwise pro-
14 vided by the Secretary, a certification of any
15 qualified emerging energy property under sub-
16 paragraph (A) shall cease to have any force or
17 effect if construction of such property does not
18 begin before the date which is 5 years after the
19 date of such certification or if the Secretary
20 makes a determination that such construction
21 has been suspended indefinitely.

22 “(d) CERTAIN QUALIFIED PROGRESS EXPENDITURE
23 RULES MADE APPLICABLE.—Rules similar to the rules of
24 subsections (c)(4) and (d) of section 46 (as in effect on

1 the day before the enactment of the Revenue Reconcili-
2 ation Act of 1990) shall apply for purposes of this section.

3 “(e) TRANSFER OF CREDIT BY CERTAIN PUBLIC EN-
4 TITIES.—

5 “(1) IN GENERAL.—If, with respect to a credit
6 under subsection (a) for any taxable year—

7 “(A) a qualified public entity would be the
8 taxpayer (but for this paragraph), and

9 “(B) such entity elects the application of
10 this paragraph for such taxable year with re-
11 spect to all (or any portion specified in such
12 election) of such credit, the eligible project part-
13 ner specified in such election, and not the quali-
14 fied public entity, shall be treated as the tax-
15 payer for purposes of this title with respect to
16 such credit (or such portion thereof).

17 “(2) DEFINITIONS.—For purposes of this sub-
18 section—

19 “(A) QUALIFIED PUBLIC ENTITY.— The
20 term ‘qualified public entity’ means—

21 “(i) a Federal, State, or local govern-
22 ment entity, or any political subdivision,
23 agency, or instrumentality thereof,

1 “(ii) a mutual or cooperative electric
2 company described in section 501(e)(12) or
3 1381(a)(2), or

4 “(iii) a not-for-profit electric utility
5 which had or has received a loan or loan
6 guarantee under the Rural Electrification
7 Act of 1936.

8 “(B) ELIGIBLE PROJECT PARTNER.—The
9 term ‘eligible project partner’ means any person
10 who—

11 “(i) is responsible for, or participates
12 in, the design or construction of the quali-
13 fied emerging energy property to which the
14 credit under subsection (a) relates,

15 “(ii) is a financial institution pro-
16 viding financing for the construction or op-
17 eration of such property, or

18 “(iii) has an ownership interest in
19 such property.

20 “(3) SPECIAL RULES.—

21 “(A) APPLICATION TO PARTNERSHIPS.—In
22 the case of a credit under subsection (a) which
23 is determined at the partnership level—

24 “(i) for purposes of paragraph (1)(A),
25 a qualified public entity shall be treated as

1 the taxpayer with respect to such entity's
2 distributive share of such credit, and

3 “(ii) the term ‘eligible project partner’
4 shall include any partner of the partner-
5 ship.

6 “(B) TAXABLE YEAR IN WHICH CREDIT
7 TAKEN INTO ACCOUNT.—In the case of any
8 credit (or portion thereof) with respect to which
9 an election is made under paragraph (1), such
10 credit shall be taken into account in the first
11 taxable year of the eligible project partner end-
12 ing with, or after, the qualified public entity's
13 taxable year with respect to which the credit
14 was determined.

15 “(C) TREATMENT OF TRANSFER UNDER
16 PRIVATE USE RULES.—For purposes of section
17 141(b)(1), any benefit derived by an eligible
18 project partner in connection with an election
19 under this subsection shall not be taken into ac-
20 count as a private business use.”.

21 (b) CREDIT MADE PART OF INVESTMENT CREDIT.—
22 Section 46 of such Code is amended by striking “and”
23 at the end of paragraph (5), by striking the period at the
24 end of paragraph (6) and inserting “, and”, and by adding
25 at the end the following new paragraph:

1 “(7) the emerging energy technology credit.”.

2 (c) CONFORMING AMENDMENTS.—

3 (1) Section 49(a)(1)(C) of such Code is amend-
4 ed by striking “and” at the end of clause (iv), by
5 striking the period at the end of clause (v) and in-
6 sserting “, and”, and by adding at the end the fol-
7 lowing new clause:

8 “(vi) the basis of any qualified emerg-
9 ing energy property (as defined in section
10 48D(b)).”.

11 (2) The table of sections for subpart E of part
12 IV of subchapter A of chapter 1 of such Code is
13 amended by inserting after the item relating to sec-
14 tion 48D the following new item:

“Sec. 48D. Emerging energy technology credit.”.

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to property placed in service in
17 taxable years beginning after the date of the enactment
18 of this Act, under rules similar to the rules of section
19 48(m) of the Internal Revenue Code of 1986 (as in effect
20 on the day before the date of the enactment of the Rev-
21 enue Reconciliation Act of 1990).

22 **SEC. 3. PRODUCTION CREDIT FOR EMERGING ENERGY**
23 **TECHNOLOGY.**

24 (a) IN GENERAL.—Subpart D of part IV of sub-
25 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 is amended by adding at the end the following new
2 section:

3 **“SEC. 45T. EMERGING ENERGY TECHNOLOGY PRODUCTION**
4 **CREDIT.**

5 “(a) IN GENERAL.—For purposes of section 38, the
6 emerging energy technology production credit determined
7 under this section for any taxable year beginning in the
8 credit period with respect to a qualified production facility
9 of the taxpayer is an amount equal to the applicable per-
10 centage of the lesser of—

11 “(1) the annual gross receipts of the taxpayer
12 from the sale of electricity generated at the qualified
13 production facility to an unrelated person during
14 such taxable year, or

15 “(2) the product of—

16 “(A) the national average wholesale price
17 of a kilowatt hour of electricity in the taxable
18 year, as determined by the Secretary in con-
19 sultation with the Administrator of the Energy
20 Information Administration, multiplied by

21 “(B) the number of kilowatt hours of elec-
22 tricity produced at the qualified production fa-
23 cility and sold to an unrelated person during
24 the taxable year.

1 “(b) APPLICABLE PERCENTAGE.—For purposes of
2 this section—

3 “(1) IN GENERAL.—The applicable percentage
4 is—

5 “(A) in the case of a tier 1 facility, 60
6 percent,

7 “(B) in the case of a tier 2 facility, 45 per-
8 cent,

9 “(C) in the case of a tier 3 facility, 30 per-
10 cent,

11 “(D) in the case of a tier 4 facility, 15 per-
12 cent, and

13 “(E) in the case of any other facility, zero
14 percent.

15 “(2) FACILITY TIERS.—

16 “(A) TIER 1 FACILITY.—The term ‘tier 1
17 facility’ means, with respect to any taxable
18 year, an electric generating facility using a type
19 of technology which accounts for less than .5
20 percent of annual domestic electricity produc-
21 tion in the preceding taxable year, as deter-
22 mined by the Secretary on the basis of data re-
23 ported by the Energy Information Administra-
24 tion.

1 “(B) TIER 2 FACILITY.—The term ‘tier 2
2 facility’ means, with respect to any taxable
3 year, an electric generating facility using a type
4 of technology which accounts for at least .5 per-
5 cent but less than 1 percent of annual domestic
6 electricity production in the preceding taxable
7 year, as determined by the Secretary on the
8 basis of data reported by the Energy Informa-
9 tion Administration.

10 “(C) TIER 3 FACILITY.—The term ‘tier 3
11 facility’ means, with respect to any taxable
12 year, an electric generating facility using a type
13 of technology which accounts for at least 1 per-
14 cent but less than 1.5 percent of annual domes-
15 tic electricity production in the preceding tax-
16 able year, as determined by the Secretary on
17 the basis of data reported by the Energy Infor-
18 mation Administration.

19 “(D) TIER 4 FACILITY.—The term ‘tier 4
20 facility’ means, with respect to any taxable
21 year, an electric generating facility using a type
22 of technology which accounts for at least 1.5
23 percent but less than 2 percent of annual do-
24 mestic electricity production in the preceding
25 taxable year, as determined by the Secretary on

1 the basis of data reported by the Energy Infor-
2 mation Administration.

3 “(c) CREDIT PERIOD.—For purposes of this section,
4 the credit period with respect to any qualified production
5 facility is the 10 year period beginning with the date the
6 facility was originally placed in service.

7 “(d) QUALIFIED PRODUCTION FACILITY.—For pur-
8 poses of this section—

9 “(1) IN GENERAL.—The term ‘qualified produc-
10 tion facility’ means any facility which—

11 “(A) was originally placed in service after
12 the date of the enactment of this Act,

13 “(B) generates electricity,

14 “(C) is located in the United States or a
15 possession of the United States (as such terms
16 are used in section 638),

17 “(D) utilizes emerging technology, and

18 “(E) is certified by the Secretary, after
19 consultation with the Secretary of Energy, as a
20 qualified production facility for purposes of this
21 section.

22 “(2) DENIAL OF DOUBLE BENEFIT.—Such
23 term shall not include any facility which has been
24 treated as a qualified facility for purposes of section
25 45(d), as an advanced nuclear power facility for pur-

1 poses of section 45J, as a qualified facility for pur-
2 poses of section 45Q, as energy property for pur-
3 poses of section 48, as a qualified investment for
4 purposes of section 48A, 48B, or 48C, or as quali-
5 fied emerging energy property for purposes of sec-
6 tion 48D, for any taxable year.

7 “(e) EMERGING TECHNOLOGY.—For purposes of this
8 section—

9 “(1) IN GENERAL.—The term ‘emerging tech-
10 nology’ means—

11 “(A) any new or improved power conver-
12 sion fuel-based technology—

13 “(i) which—

14 “(I) reduces emission of air pol-
15 lutants that can be reasonably antici-
16 pated to endanger public health or
17 welfare to below the volume or rate
18 required by the Clean Air Act, in the
19 case of a type of facility which has
20 significant emission of air pollutants,
21 or

22 “(II) yields at least a 50 percent
23 improvement in energy efficiency, as
24 compared to existing fuel-based elec-

1 tric generating commercial technology,
2 and

3 “(ii) which operates with a capacity
4 factor of at least 50 percent,

5 “(B) any new or improved reactor design
6 licensed by the Nuclear Regulatory Commission
7 which produces electricity through nuclear fis-
8 sion or a fusion chain reaction and which (when
9 compared to existing nuclear commercial tech-
10 nologies)—

11 “(i) reduces the high-level radioactive
12 waste or spent nuclear fuel per unit of en-
13 ergy yield,

14 “(ii) improves fuel utilization,

15 “(iii) decreases core damage frequency
16 or large early release frequency by at least
17 a factor of 10, or

18 “(iv) increases thermal efficiency,

19 “(C) any new technology or new improve-
20 ment to technology which generates electricity
21 from renewable energy (as defined in section
22 203(b)(2) of the Energy Policy Act of 2005)
23 and which generates at least a 25 percent in-
24 crease in the conversion efficiency of the facility
25 as compared with the commercial technology of

1 the same type as such technology which is con-
2 sidered to be the best of its type in commercial
3 use, or

4 “(D) technology which the Secretary, in
5 consultation with the Secretary of Energy, de-
6 termines would improve energy efficiency or
7 conversion efficiency of electric generating com-
8 mercial technology by not less than 15 percent.

9 “(2) CONVERSION EFFICIENCY.—The term
10 ‘conversion efficiency’ means the fraction—

11 “(A) the numerator of which is the total
12 useful electrical or thermal power produced by
13 an electric generating facility at normal oper-
14 ating rates, and expected to be consumed in its
15 normal application, and

16 “(B) the denominator of which is the inci-
17 dent energy, whether mechanical, radiation, or
18 thermal energy, which is measurable at the
19 input of the electric generating facility.

20 “(3) ENERGY EFFICIENCY.—The term ‘energy
21 efficiency’ means the fraction—

22 “(A) the numerator of which is the total
23 useful electrical, thermal, and mechanical power
24 which is produced by the facility at normal op-

1 erating rates and expected to be consumed in
2 its normal operation, and

3 “(B) the denominator of which is the lower
4 heating value of the energy sources for the fa-
5 cility.

6 “(4) EFFICIENCY BASELINE.—Not less fre-
7 quently than every 10 years, the Secretary, in con-
8 sultation with the Secretary of Energy, shall estab-
9 lish baseline levels with respect to the types of elec-
10 tric generating facilities and the measures of effi-
11 ciency described in paragraph (1) which a facility
12 must exceed in order to meet the requirements of
13 such paragraph.

14 “(5) COMMERCIAL TECHNOLOGY.—The term
15 ‘commercial technology’ means a design that has
16 been installed in and is being used in 3 or more
17 projects in the United States marketplace in the
18 same general application as in the electric gener-
19 ating facility, and has been in such use in at least
20 1 of such projects for a period of at least 5 years.

21 “(6) CORE DAMAGE FREQUENCY.—The term
22 ‘core damage frequency’ means the likelihood that,
23 given the way a reactor is designed and operated, an
24 accident could cause the fuel in the reactor to be
25 damaged.

1 “(7) LARGE EARLY RELEASE FREQUENCY.—

2 The term ‘large early release frequency’ means the
3 likelihood of a release into the environment of a suf-
4 ficiently large quantity of fission products in an
5 early enough time frame to have the potential for a
6 prompt fatality.

7 “(f) TRANSFER OF CREDIT BY CERTAIN PUBLIC EN-
8 TITIES.—

9 “(1) IN GENERAL.—If, with respect to a credit
10 under subsection (a) for any taxable year—

11 “(A) a qualified public entity would be the
12 taxpayer (but for this paragraph), and

13 “(B) such entity elects the application of
14 this paragraph for such taxable year with re-
15 spect to all (or any portion specified in such
16 election) of such credit, the eligible project part-
17 ner specified in such election, and not the quali-
18 fied public entity, shall be treated as the tax-
19 payer for purposes of this title with respect to
20 such credit (or such portion thereof).

21 “(2) DEFINITIONS.—For purposes of this sub-
22 section—

23 “(A) QUALIFIED PUBLIC ENTITY.— The
24 term ‘qualified public entity’ means—

1 “(i) a Federal, State, or local govern-
2 ment entity, or any political subdivision,
3 agency, or instrumentality thereof,

4 “(ii) a mutual or cooperative electric
5 company described in section 501(e)(12) or
6 1381(a)(2), or

7 “(iii) a not-for-profit electric utility
8 which had or has received a loan or loan
9 guarantee under the Rural Electrification
10 Act of 1936.

11 “(B) ELIGIBLE PROJECT PARTNER.—The
12 term ‘eligible project partner’ means any person
13 who—

14 “(i) is responsible for, or participates
15 in, the design or construction of the quali-
16 fied production facility to which the credit
17 under subsection (a) relates,

18 “(ii) is a financial institution pro-
19 viding financing for the construction or op-
20 eration of such facility, or

21 “(iii) has an ownership interest in
22 such facility.

23 “(3) SPECIAL RULES.—

1 “(A) APPLICATION TO PARTNERSHIPS.—In
2 the case of a credit under subsection (a) which
3 is determined at the partnership level—

4 “(i) for purposes of paragraph (1)(A),
5 a qualified public entity shall be treated as
6 the taxpayer with respect to such entity’s
7 distributive share of such credit, and

8 “(ii) the term ‘eligible project partner’
9 shall include any partner of the partner-
10 ship.

11 “(B) TAXABLE YEAR IN WHICH CREDIT
12 TAKEN INTO ACCOUNT.—In the case of any
13 credit (or portion thereof) with respect to which
14 an election is made under paragraph (1), such
15 credit shall be taken into account in the first
16 taxable year of the eligible project partner end-
17 ing with, or after, the qualified public entity’s
18 taxable year with respect to which the credit
19 was determined.

20 “(C) TREATMENT OF TRANSFER UNDER
21 PRIVATE USE RULES.—For purposes of section
22 141(b)(1), any benefit derived by an eligible
23 project partner in connection with an election
24 under this subsection shall not be taken into ac-
25 count as a private business use.

1 “(g) REGULATIONS.—Not later than 1 year after the
2 date of the enactment of this section, the Secretary shall
3 prescribe such regulations as may be necessary or appro-
4 priate to carry out the purposes of this section. Such regu-
5 lations shall include a process for making eligibility certifi-
6 cations described in subsection (d)(1)(E).”.

7 (b) CREDIT ALLOWED AS PART OF GENERAL BUSI-
8 NESS CREDIT.—Section 38(b) of such Code is amended
9 by striking “plus” at the end of paragraph (31), by strik-
10 ing the period at the end of paragraph (32) and inserting
11 “, plus”, and by adding at the end the following new para-
12 graph:

13 “(33) the emerging energy technology produc-
14 tion credit determined under section 45T(a).”.

15 (c) CLERICAL AMENDMENT.—The table of sections
16 for subpart D of part IV of subchapter A of chapter 1
17 of such Code is amended by adding at the end the fol-
18 lowing new item:

 “Sec. 45T. Emerging energy technology production credit.”.

19 (d) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to electricity produced and sold
21 after the date of the enactment of this Act.

22 **SEC. 4. MODIFICATION OF ENERGY CREDIT.**

23 (a) ENERGY CREDIT FOR ENERGY STORAGE TECH-
24 NOLOGIES.—

1 (1) IN GENERAL.—Section 48(a)(3)(A) of the
2 Internal Revenue Code of 1986 is amended by strik-
3 ing “or” at the end of clause (vi), by adding “or”
4 at the end of clause (vii), and by adding at the end
5 the following new clause:

6 “(viii) equipment which—

7 “(I) receives, stores, and delivers
8 energy using batteries, compressed
9 air, pumped hydropower, hydrogen
10 storage (including hydrolysis), thermal
11 energy storage, regenerative fuel cells,
12 flywheels, capacitors, superconducting
13 magnets, or other technologies identi-
14 fied by the Secretary in consultation
15 with the Secretary of Energy,

16 “(II) has a capacity of not less
17 than 5 kilowatt hours, and

18 “(III) receives an allocation of
19 national megawatt capacity from the
20 Secretary under paragraph (8) equal
21 to the capacity of such equipment.”.

22 (2) 30 PERCENT CREDIT.—Section
23 48(a)(2)(A)(i)(II) of such Code is amended by strik-
24 ing “paragraph (3)(A)(i)” and inserting “clause (i)
25 or (viii) of paragraph (3)(A)”.

1 (3) NATIONAL LIMITATION RELATING TO EN-
2 ERGY STORAGE PROPERTY.—Section 48(a) of such
3 Code is amended by adding at the end the following
4 new paragraph:

5 “(8) NATIONAL LIMITATION RELATING TO EN-
6 ERGY STORAGE PROPERTY.—

7 “(A) IN GENERAL.—The aggregate
8 amount of national megawatt capacity limita-
9 tion allocated by the Secretary to equipment de-
10 scribed in paragraph (3)(A)(viii) shall not ex-
11 ceed 10,000 megawatts.

12 “(B) ALLOCATION OF LIMITATION.—The
13 Secretary shall allocate the national megawatt
14 capacity limitation in such manner as the Sec-
15 retary may prescribe, with a focus on diversity
16 of technological design.

17 “(C) REGULATIONS.—Not later than 6
18 months after the date of the enactment of this
19 paragraph, the Secretary shall prescribe such
20 regulations as may be necessary or appropriate
21 to carry out the purposes of this paragraph.
22 Such regulations shall provide a process under
23 which the Secretary, after consultation with the
24 Secretary of Energy, shall allocate the national
25 megawatt capacity limitation.”.

1 (b) TRANSFER OF ENERGY CREDIT BY CERTAIN
2 PUBLIC ENTITIES.—Section 48 of such Code is amended
3 by adding at the end the following new subsection:

4 “(f) TRANSFER OF CREDIT BY CERTAIN PUBLIC EN-
5 TITIES.—

6 “(1) IN GENERAL.—If, with respect to a credit
7 under subsection (a) for any taxable year—

8 “(A) a qualified public entity would be the
9 taxpayer (but for this paragraph), and

10 “(B) such entity elects the application of
11 this paragraph for such taxable year with re-
12 spect to all (or any portion specified in such
13 election) of such credit, the eligible project part-
14 ner specified in such election, and not the quali-
15 fied public entity, shall be treated as the tax-
16 payer for purposes of this title with respect to
17 such credit (or such portion thereof).

18 “(2) DEFINITIONS.—For purposes of this sub-
19 section—

20 “(A) QUALIFIED PUBLIC ENTITY.— The
21 term ‘qualified public entity’ means—

22 “(i) a Federal, State, or local govern-
23 ment entity, or any political subdivision,
24 agency, or instrumentality thereof,

1 “(ii) a mutual or cooperative electric
2 company described in section 501(e)(12) or
3 1381(a)(2), or

4 “(iii) a not-for-profit electric utility
5 which had or has received a loan or loan
6 guarantee under the Rural Electrification
7 Act of 1936.

8 “(B) ELIGIBLE PROJECT PARTNER.—The
9 term ‘eligible project partner’ means any person
10 who—

11 “(i) is responsible for, or participates
12 in, the design or construction of the energy
13 property to which the credit under sub-
14 section (a) relates,

15 “(ii) is a financial institution pro-
16 viding financing for the construction or op-
17 eration of such property, or

18 “(iii) has an ownership interest in
19 such property.

20 “(3) SPECIAL RULES.—

21 “(A) APPLICATION TO PARTNERSHIPS.—In
22 the case of a credit under subsection (a) which
23 is determined at the partnership level—

24 “(i) for purposes of paragraph (1)(A),
25 a qualified public entity shall be treated as

1 the taxpayer with respect to such entity's
2 distributive share of such credit, and

3 “(ii) the term ‘eligible project partner’
4 shall include any partner of the partner-
5 ship.

6 “(B) TAXABLE YEAR IN WHICH CREDIT
7 TAKEN INTO ACCOUNT.—In the case of any
8 credit (or portion thereof) with respect to which
9 an election is made under paragraph (1), such
10 credit shall be taken into account in the first
11 taxable year of the eligible project partner end-
12 ing with, or after, the qualified public entity's
13 taxable year with respect to which the credit
14 was determined.

15 “(C) TREATMENT OF TRANSFER UNDER
16 PRIVATE USE RULES.—For purposes of section
17 141(b)(1), any benefit derived by an eligible
18 project partner in connection with an election
19 under this subsection shall not be taken into ac-
20 count as a private business use.”.

21 (c) EFFECTIVE DATE.—

22 (1) IN GENERAL.—Except as otherwise pro-
23 vided in this subsection, the amendments made by
24 this section shall apply to periods after the date of
25 the enactment of this Act, in taxable years ending

1 after such date, under rules similar to the rules of
2 section 48(m) of the Internal Revenue Code of 1986
3 (as in effect on the day before the date of the enact-
4 ment of the Revenue Reconciliation Act of 1990).

5 (2) TRANSFER OF ENERGY CREDIT BY CERTAIN
6 PUBLIC ENTITIES.—The amendment made by sub-
7 section (b) shall apply to credits arising in taxable
8 years ending after the date of the enactment of this
9 Act.