Energy Security Tax Incentive Act of 2001

Section-by-Section Summary

TITLE I–ENERGY-EFFICIENT PROPERTY USED IN BUSINESS

Sec. 101. Credit for Energy-Efficient Property Used In Business.

Establishes tax credits for ten to thirty percent of investments in renewable energy technologies and energy-efficient property used in business. Includes solar water heaters and photovoltaic panels, geothermal technologies, combined heat and power systems, low core loss distribution transformers, anaerobic digester property, wind turbines, fuel cells, heat pumps, central air conditioners, and advanced natural gas water heaters, furnaces and cooling equipment.

Sec. 102. Energy-Efficient Commercial Building Property Deduction.

Provides tax deductions for increasing energy efficiency in non-residential buildings (commercial buildings, schools, and rental housing) compared to a national model standard. It will reduce the extent of tax-deductible energy bills, increasing government revenues in the long-term.

Sec. 103. Credit for Energy-Efficient Appliances.

Provides credits for the manufacture of high efficiency clothes washers and refrigerators.

TITLE II–RESIDENTIAL ENERGY SYSTEMS

Sec. 201. Credit for Residential Efficiency.

Provides incentives for new energy efficient residential construction, including manufactured housing and certain incentives for modifications to existing housing.

Sec. 202. Credit for Residential Solar, Wind and Fuel Cell Property.

Provides credits of 15 to 30% of the installed cost of certain renewable and fuel cell property.

TITLE III–ELECTRICITY FACILITIES AND PRODUCTION

Sec. 301. Incentives for Distributed Generation

Provides a 7-year depreciation schedule for distributed generation facilities.

Sec. 302 Credit for Electricity Produced from Renewable and Waste Products.

Amends Section 45 to include open-loop biomass, including co-firing with biomass, and geothermal, landfill methane, incremental hydropower, municipal waste and steel cogeneration as qualifying energy resources. Increases the credit to 1.8 cents per kwh, except co-firing.

Sec. 303. Treatment of Facilities Using Bagasse to Produce Energy.

Clarifies that certain Hawaiian facilities using bagasse to produce ethanol are eligible for tax exempt financing.

Sec. 304. Depreciation of Electric and Natural Gas Transmission Property.

Reclassifies electric power transmission, natural gas transmission and natural gas distribution infrastructure as eligible for 7-year depreciation to foster investment in new facilities.

TITLE IV–CLEAN COAL TECHNOLOGIES

Sec. 401. Credit for Investment in Qualifying Advanced Clean Coal Technology.

Establishes an investment tax credit of 10 percent of the qualifying clean coal technology costs for newly installed equipment or repowering of existing facilities. Applies to a limited number of projects based on technology.

Sec. 402. Credit for Production from Qualifying Advanced Clean Coal Technology

Establishes a production tax credit based on efficiency for each kilowatt generated for the first ten years of operation of the qualifying clean coal technology. To be eligible for the tax credit in subsequent years, investments must result in increasingly more efficient levels generation.

Sec. 403. Risk Pool for Qualifying Advanced Clean Coal Technology.

Establishes a pool of funds that may pay up to five percent of the initial investment to help offset the costs of modifications to enable the facility to achieve its design performance levels.

Sec. 404/405. Offset Credits for Electric Cooperatives or Publicly Owned Electric Utilities.

Provides an offset against debt or obligations in lieu of tax credits for coops and munis.

TITLE V–HEATING FUELS AND STORAGE

Sec. 501. Full Expensing of Home Heating.

Provides for expensing of the cost of propane and heating oil storage facilities.

Sec. 502. Arbitrage Rules not to Apply to Prepayments for Natural Gas and other Commodities.

Facilitates prepayments by municipal utilities of natural gas and heating oil supplies.

TITLE VI–OIL AND GAS PRODUCTION

Sec. 601. Credit for Production or Re-Refined Lubricating Oil.

Establishes a tax credit for re-refining lubricating oil equal to $4.05 per barrel.

Sec. 602. Oil and Gas from Marginal Wells.

Provides a counter-cyclical tax credit for marginal oil and gas wells when the price of oil falls below $14.00 per barrel and the price of gas falls below $1.56. Provides a tax credit of $3 per barrel for oil and a 50 cents per 1,000 cubic feet for natural gas produced from marginal wells. Credit is phased out between $14.00 and $17.00 per barrel of oil and $1.56 and $1.90 per mcf for natural. The credit can be carried back ten years.

Sec. 603. Deduction for Delay Rental Payments.

Allows expensing of payments to hold a lease prior to initiation of production.

Sec. 604. Election to Expense Geological and Geophysical Expenditures.

Allows for expensing of exploration (geological and geophysical) costs.

Sec. 605. Natural Gas Gathering Lines Treated as 7-year Property.

Changes the depreciation schedule to encourage development of remote natural gas supplies.

Sec. 606. Crude Oil and Natural Gas Development Credit.

Counter-cyclical tax credit for domestic development drilling and enhanced recovery work for natural gas and oil during periods of very low oil prices. Applies when oil is below $11/barrel, phasing out at $14. Intended to maintain stable investment in new drilling to keep the oil and gas service industry employed and to maintain stable natural gas supplies.

Sec. 607. Credit for Capture of Coalmine Methane Gas.

Establishes a tax credit for coal mine methane captured by the taxpayer and sold to an unrelated person. Reduces greenhouse gas emissions from mining operations.

Sec. 608. Allocation of Alcohol Fuels Credit to Patrons of a Cooperative.

Amends the existing credit for small ethanol producers to allow farmer-owned cooperatives to utilize that credit.

Sec. 609. Incentive to Develop Alaska Natural Gas for Shipment to Lower 48

Provides a production tax credit of $0.25 per MMBtu for gas produced and delivered into interstate commerce before January 1, 2009. This provision is an incentive to move forward with construction of a natural gas pipeline sooner rather than later.