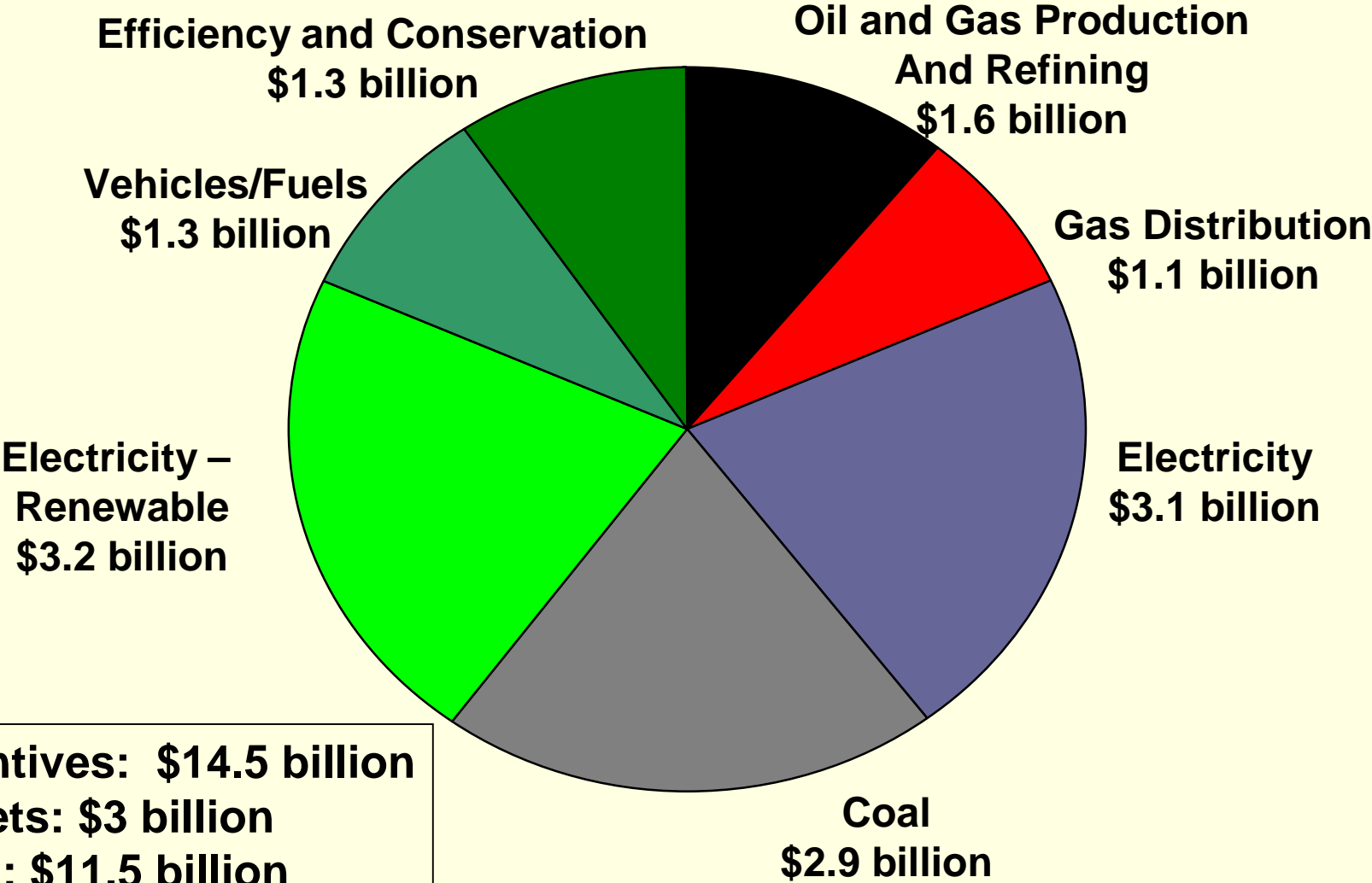

Energy Tax Incentives Act of 2005

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Senate Committee on Finance
Senator Max Baucus, Ranking Member

Energy Tax Incentives

- n Oil and Gas Production and Enhanced Refining
- n Electricity Reliability
- n Renewable and Clean Energy Incentives
- n Clean Coal
- n Energy Efficiency and Conservation Measures
- n Other Legislation

Energy Tax Incentives Conference Agreement



Incentives: \$14.5 billion
Offsets: \$3 billion
Total: \$11.5 billion

Oil and Gas Production and Enhanced Refining

- n Natural gas distribution lines treated as 15-year property
- n Geological and geophysical expenditures amortized over 2 years
- n Expensing for refinery investments
- n Definition of small refiner for purposes of oil depletion deduction
- n Cooperative pass through of expensing for low sulfur compliance

Electricity Reliability

- n Transmission property treated as 15-year property
- n Treatment of electric cooperative income (85/15 test)
- n Nuclear decommissioning
- n Production tax credit for nuclear power

Renewable and Clean Energy

- n Extension and expansion of renewable electricity production credit (Section 45)
 - n Wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation power, landfill gas, trash combustion, and incremental hydropower
 - n Allows pass through to members of farmer cooperatives
- n Clean renewable energy bonds
 - n \$800 million of tax-credit bonds

Clean Coal

- n Credit for investment in clean coal facilities
 - n Gasification technologies
 - n Coal combustion technologies
 - n Loan guarantees
- n 84-month amortization for pollution control facilities
- n Modification of credit for producing fuel from nonconventional sources

Energy Efficiency and Conservation

- n Alternative technology vehicle credits
- n Credit for installing alternative fuel refueling property
- n Extend biodiesel tax incentives and expand renewable diesel
- n Small producer credits for biodiesel and ethanol
- n Residential energy efficient property
- n Business installation of fuel cells, microturbines, and solar property

Efficiency and Conservation (cont'd)

n Energy Efficient Homes

- n Energy efficient new homes
- n Energy efficient commercial buildings
- n Energy efficient appliances

Other Legislation

- n Highway Bill

- n Excise tax credit for Fischer-Tropsch diesel

- n New Energy Legislation?

- n Refinery incentives
 - n Windfall profits
 - n Price relief