

119TH CONGRESS  
1ST SESSION

# H. R. 6824

To amend the Internal Revenue Code of 1986 to establish a tax credit for qualified combined heat and power system property, and for other purposes.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 17, 2025

Ms. VAN DUYNE (for herself and Mr. KUSTOFF) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to establish a tax credit for qualified combined heat and power system property, 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. TAX CREDIT FOR QUALIFIED COMBINED HEAT**  
4 **AND POWER SYSTEM PROPERTY.**

5 (a) ESTABLISHMENT OF CREDIT.—

6 (1) IN GENERAL.—Subpart E of part IV of  
7 subchapter A of chapter 1 of the Internal Revenue  
8 Code of 1986 is amended by inserting after section  
9 48E the following new section:

1 **“SEC. 48F. CREDIT FOR QUALIFIED COMBINED HEAT AND**  
2 **POWER SYSTEM PROPERTY.**

3 “(a) CREDIT FOR QUALIFIED COMBINED HEAT AND  
4 POWER SYSTEM PROPERTY.—

5 “(1) IN GENERAL.—For purposes of section 46,  
6 except as provided in subsection (c)(1)(B), the credit  
7 for qualified combined heat and power system prop-  
8 erty for any taxable year is an amount equal to 10  
9 percent of the basis of each qualified combined heat  
10 and power system property placed in service during  
11 such taxable year.

12 “(2) COORDINATION WITH REHABILITATION  
13 CREDIT.—The percentage specified in paragraph (1)  
14 shall not apply to that portion of the basis of any  
15 property which is attributable to qualified rehabilita-  
16 tion expenditures (as defined in section 47(c)(2)).

17 “(3) QUALIFIED COMBINED HEAT AND POWER  
18 SYSTEM PROPERTY.—For purposes of this section,  
19 the term ‘qualified combined heat and power system  
20 property’ means any property—

21 “(A) which is combined heat and power  
22 system property,

23 “(B)(i) the construction, reconstruction, or  
24 erection of which is completed by the taxpayer,  
25 or

1           “(ii) which is acquired by the taxpayer if  
2           the original use of such property commences  
3           with the taxpayer,

4           “(C) with respect to which depreciation (or  
5           amortization in lieu of depreciation) is allow-  
6           able, and

7           “(D) which meets the performance and  
8           quality standards (if any) which—

9           “(i) have been prescribed by the Sec-  
10          retary by regulations (after consultation  
11          with the Secretary of Energy), and

12          “(ii) are in effect at the time of the  
13          acquisition of the property.

14          Such term shall not include any property which  
15          is part of a facility the production from which  
16          is allowed as a credit under section 45 for the  
17          taxable year or any prior taxable year.

18          “(4) SPECIAL RULE FOR PROPERTY FINANCED  
19          BY TAX-EXEMPT BONDS.—Rules similar to the rule  
20          under section 45(b)(3) shall apply for purposes of  
21          this section.

22          “(5) DOMESTIC CONTENT BONUS CREDIT  
23          AMOUNT.—

24          “(A) IN GENERAL.—In the case of any en-  
25          ergy project which satisfies the requirement

1 under subparagraph (B), for purposes of apply-  
2 ing paragraph (1) with respect to qualified com-  
3 bined heat and power system property that is  
4 part of such project, the percentage specified in  
5 paragraph (1) shall be increased by 10 percent-  
6 age points.

7 “(B) REQUIREMENT.—Rules similar to the  
8 rules of section 45(b)(9)(B) shall apply.

9 “(6) INCREASE IN CREDIT RATE FOR ENERGY  
10 COMMUNITIES.—In the case of any energy project  
11 that is placed in service within an energy community  
12 (as defined in section 45(b)(11)(B), as applied by  
13 substituting ‘energy project’ for ‘qualified facility’  
14 each place it appears), for purposes of applying  
15 paragraph (1) with respect to qualified combined  
16 heat and power system property which is part of  
17 such project, the percentage specified in paragraph  
18 (1) shall be increased by 10 percentage points.

19 “(7) REGULATIONS AND GUIDANCE.—The Sec-  
20 retary shall issue such regulations or other guidance  
21 as the Secretary determines necessary to carry out  
22 the purposes of this subsection, including regulations  
23 or other guidance which provides for requirements  
24 for recordkeeping or information reporting for pur-

1 poses of administering the requirements of this sub-  
2 section.

3 “(b) CERTAIN PROGRESS EXPENDITURE RULES  
4 MADE APPLICABLE.—Rules similar to the rules of sub-  
5 sections (c)(4) and (d) of section 46 (as in effect on the  
6 day before the date of the enactment of the Revenue Rec-  
7 onciliation Act of 1990) shall apply for purposes of sub-  
8 section (a).

9 “(c) DEFINITIONS.—For purposes of this section—

10 “(1) COMBINED HEAT AND POWER SYSTEM  
11 PROPERTY.—

12 “(A) COMBINED HEAT AND POWER SYS-  
13 TEM PROPERTY.—The term ‘combined heat and  
14 power system property’ means property com-  
15 prising a system—

16 “(i) which uses the same energy  
17 source for the simultaneous or sequential  
18 generation of electrical power, mechanical  
19 shaft power, or both, in combination with  
20 the generation of steam or other forms of  
21 useful thermal energy (including heating  
22 and cooling applications),

23 “(ii) which produces—

24 “(I) at least 20 percent of its  
25 total useful energy in the form of

1 thermal energy which is not used to  
2 produce electrical or mechanical power  
3 (or combination thereof), and

4 “(II) at least 20 percent of its  
5 total useful energy in the form of elec-  
6 trical or mechanical power (or com-  
7 bination thereof),

8 “(iii) the energy efficiency percentage  
9 of which exceeds 60 percent, and

10 “(iv) the construction of which begins  
11 on or after January 1, 2025.

12 “(B) LIMITATION.—

13 “(i) IN GENERAL.—In the case of  
14 combined heat and power system property  
15 with an electrical capacity in excess of the  
16 applicable capacity placed in service during  
17 the taxable year, the credit under sub-  
18 section (a)(1) (determined without regard  
19 to this paragraph) for such year shall be  
20 equal to the amount which bears the same  
21 ratio to such credit as the applicable ca-  
22 pacity bears to the capacity of such prop-  
23 erty.

24 “(ii) APPLICABLE CAPACITY.—For  
25 purposes of clause (i), the term ‘applicable

1 capacity' means 25 megawatts or a me-  
2 chanical energy capacity of more than  
3 33,500 horsepower, or an equivalent com-  
4 bination of electrical and mechanical en-  
5 ergy capacities.

6 “(iii) MAXIMUM CAPACITY.—The term  
7 ‘combined heat and power system property’  
8 shall not include any property comprising a  
9 system if such system has a capacity in ex-  
10 cess of 50 megawatts or a mechanical en-  
11 ergy capacity in excess of 67,000 horse-  
12 power, or an equivalent combination of  
13 electrical and mechanical energy capacities.

14 “(iv) CLARIFICATION REGARDING CA-  
15 PACITY DETERMINATIONS.—For purposes  
16 of this subparagraph, the determination of  
17 the electrical or mechanical energy capacity  
18 of any system shall be based on the normal  
19 operating rates of such system.

20 “(C) SPECIAL RULES.—

21 “(i) ENERGY EFFICIENCY PERCENT-  
22 AGE.—For purposes of this paragraph, the  
23 energy efficiency percentage of a system is  
24 the fraction—

1                   “(I) the numerator of which is  
2                   the total useful electrical, thermal,  
3                   and mechanical power produced by  
4                   the system at normal operating rates,  
5                   and expected to be consumed in its  
6                   normal application, and

7                   “(II) the denominator of which is  
8                   the lower heating value of the fuel  
9                   sources for the system.

10                  “(ii) DETERMINATIONS MADE ON BTU  
11                  BASIS.—The energy efficiency percentage  
12                  and the percentages under subparagraph  
13                  (A)(ii) shall be determined on a Btu basis.

14                  “(iii) INPUT AND OUTPUT PROPERTY  
15                  NOT INCLUDED.—The term ‘combined heat  
16                  and power system property’ does not in-  
17                  clude property used to transport the en-  
18                  ergy source to the facility or to distribute  
19                  energy produced by the facility.

20                  “(D) SYSTEMS USING BIOMASS.—If a sys-  
21                  tem is designed to use biomass (within the  
22                  meaning of paragraphs (2) and (3) of section  
23                  45(c) without regard to the last sentence of  
24                  paragraph (3)(A)) for at least 90 percent of the  
25                  energy source—

1                   “(i) subparagraph (A)(iii) shall not  
2                   apply, but

3                   “(ii) the amount of credit determined  
4                   under subsection (a) with respect to such  
5                   system shall not exceed the amount which  
6                   bears the same ratio to such amount of  
7                   credit (determined without regard to this  
8                   subparagraph) as the energy efficiency per-  
9                   centage of such system bears to 60 per-  
10                  cent.

11                  “(2) ENERGY PROJECT.—The term ‘energy  
12                  project’ means a project consisting of one or more  
13                  qualified combined heat and power system properties  
14                  that are part of a single project.”.

15                  (2) CLERICAL AMENDMENT.—The table of sec-  
16                  tions for subpart E of part IV of subchapter A of  
17                  chapter 1 of such Code is amended by inserting  
18                  after the item relating to section 48E the following  
19                  new item:

“48F. Credit for qualified combined heat and power system property.”.

20                  (b) COORDINATION WITH ENERGY CREDIT.—Section  
21                  48(c)(3)(B) of such Code is amended by adding at the  
22                  end the following new clause:

23                                  “(iv) CLARIFICATION REGARDING CA-  
24                                  PACITY DETERMINATIONS.—For purposes  
25                                  of this subparagraph, the determination of

1           the electrical or mechanical energy capacity  
2           of any system shall be based on the normal  
3           operating rates of such system.”.

4           (c) CONFORMING AMENDMENTS.—

5           (1) Section 38(c)(4)(B)(x) of such Code is  
6           amended by inserting “or the credit for qualified  
7           combined heat and power system property deter-  
8           mined under section 48F” after “section 48”.

9           (2) Section 45L(f) of such Code is amended by  
10          striking “47 or 48(a)” and inserting “47, 48(a), or  
11          48F(a)”.

12          (3) Section 46 of such Code is amended by  
13          striking “and” at the end of paragraph (6), by strik-  
14          ing the period at the end of paragraph (7) and in-  
15          serting “, and”, and by adding at the end the fol-  
16          lowing new paragraph:

17                 “(8) the credit for qualified combined heat and  
18                 power system property.”.

19          (4) Section 48C(f) of such Code is amended by  
20          inserting “48F,” after “48E,”.

21          (5) Section 50(a)(2)(E) of such Code is amend-  
22          ed by striking “or 48E(e)” and inserting “48E(e),  
23          or 48F(b)”.

24          (6) Section 59A(b)(3)(C) of such Code is  
25          amended by inserting “or the credit for qualified

1 combined heat and power system property deter-  
2 mined under section 48F” after “section 48”.

3 (d) EFFECTIVE DATE.—

4 (1) IN GENERAL.—Except as otherwise pro-  
5 vided in this subsection, the amendments made by  
6 this section shall apply to property the construction  
7 of which begins after December 31, 2024.

8 (2) COORDINATION WITH ENERGY CREDIT.—

9 (A) IN GENERAL.—The amendment made  
10 by subsection (b) shall apply to property—

11 (i) the construction of which begins  
12 before January 1, 2025, and

13 (ii) which is placed in service during  
14 taxable years beginning after December  
15 31, 2024.

16 (B) NO INFERENCE.—The amendment  
17 made by subsection (b) shall not be construed  
18 to create any inference with respect to the prop-  
19 er application of section 48(e)(3)(B) of the In-  
20 ternal Revenue Code of 1986 with respect to  
21 taxable years beginning before January 1,  
22 2025.

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