

103D CONGRESS
1ST SESSION

H. R. 539

To amend the Internal Revenue Code of 1986 to provide that the deduction for depreciation shall be computed on a neutral cost recovery basis, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 21, 1993

Mr. SMITH of Michigan (for himself, Mr. ARMEY, Mr. BACCHUS of Florida, Mr. BACHUS of Alabama, Mr. BAKER of Louisiana, Mr. BARCIA, Mr. BARTLETT, Mr. BLUTE, Mr. BONILLA, Mr. BURTON of Indiana, Mr. BUYER, Mr. CALVERT, Mr. CANADY, Mr. CRAPO, Mr. CUNNINGHAM, Mr. DELAY, Mr. DOOLITTLE, Mr. DORNAN, Ms. DUNN, Mr. EVERETT, Ms. FOWLER, Mr. GOODLATTE, Mr. GRAMS, Mr. GREENWOOD, Mr. HUTCHINSON, Mr. HUNTER, Mr. ISTOOK, Mr. KASICH, Mr. KIM, Mr. KNOLLENBERG, Mr. LINDER, Mr. MCCOLLUM, Mr. MCHUGH, Mr. MCINNIS, Mr. MANZULLO, Mr. MICA, Ms. MOLINARI, Mr. PAXON, Mr. POMBO, Mr. RAVENEL, Mr. ROHRABACHER, Mr. SCHIFF, Mr. SENSENBRENNER, Mr. SKEEN, Mr. SOLOMON, Mr. TORKILDSSEN, Mr. UPTON, Mr. WOLF, Mr. FRANKS of New Jersey, Mr. CAMP, Mr. QUINN, and Mr. ZELIFF) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that the deduction for depreciation shall be computed on a neutral cost recovery basis, 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,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Investment Tax Incen-
3 tive Act of 1993”.

4 **SEC. 2. DEPRECIATION ADJUSTMENT FOR CERTAIN PROP-**
5 **ERTY PLACED IN SERVICE IN TAXABLE**
6 **YEARS BEGINNING AFTER DECEMBER 31,**
7 **1992.**

8 (a) IN GENERAL.—Section 168 of the Internal Reve-
9 nue Code of 1986 (relating to accelerated cost recovery
10 system) is amended by adding at the end thereof the fol-
11 lowing new subsection:

12 “(j) DEDUCTION ADJUSTMENT TO ALLOW EQUIVA-
13 LENT OF EXPENSING FOR CERTAIN PROPERTY PLACED
14 IN SERVICE IN TAXABLE YEARS BEGINNING AFTER DE-
15 CEMBER 31, 1992.—

16 “(1) IN GENERAL.—In the case of tangible
17 property placed in service in a taxable year begin-
18 ning after December 31, 1992, the deduction allow-
19 able under this section with respect to such property
20 for any taxable year (after the taxable year during
21 which the property is placed in service) shall be—

22 “(A) the amount so allowable for such tax-
23 able year without regard to this subsection,
24 multiplied by

25 “(B) the applicable neutral cost recovery
26 ratio for such taxable year.

1 For purposes of subparagraph (A), paragraphs (1)
2 and (2) of section 168(b) shall be applied by sub-
3 stituting ‘150 percent’ for ‘200 percent’.

4 “(2) APPLICABLE NEUTRAL COST RECOVERY
5 RATIO.—For purposes of paragraph (1), the applica-
6 ble neutral cost recovery ratio for any taxable year
7 is the number determined by—

8 “(A) dividing—

9 “(i) the gross national product
10 deflator for the calendar quarter ending in
11 such taxable year which corresponds to the
12 calendar quarter during which the property
13 was placed in service by the taxpayer, by

14 “(ii) the gross national product
15 deflator for the calendar quarter during
16 which the property was placed in service by
17 the taxpayer, and

18 “(B) then multiplying the number deter-
19 mined under subparagraph (A) by the number
20 equal to 1.035 to the n th power where ‘ n ’ is the
21 number of full years in the period beginning on
22 the 1st day of the calendar quarter during
23 which the property was placed in service by the
24 taxpayer and ending on the day before the be-

1 ginning of the corresponding calendar quarter
2 ending during such taxable year.

3 The applicable neutral cost recovery ratio shall not
4 be taken into account unless it is greater than 1.
5 The applicable neutral cost recovery ratio shall be
6 rounded to the nearest one-tenth of 1 percent.

7 “(3) GROSS NATIONAL PRODUCT DEFLATOR.—
8 For purposes of paragraph (2), the gross national
9 product deflator for any calendar quarter is the im-
10 plicit price deflator for the gross national product
11 for such quarter (as shown in the first revision
12 thereof).

13 “(4) ELECTION NOT TO HAVE SUBSECTION
14 APPLY.—This subsection shall not apply to any
15 property if the taxpayer elects not to have this sub-
16 section apply to such property. Such an election,
17 once made, shall be irrevocable.”

18 (b) MINIMUM TAX TREATMENT.—Paragraph (1) of
19 section 56(a) of such Code is amended by adding at the
20 end thereof the following new subparagraph:

21 “(E) USE OF NEUTRAL COST RECOVERY
22 RATIO.—In the case of tangible property placed
23 in service in a taxable year beginning after De-
24 cember 31, 1992, the deduction allowable under
25 this paragraph with respect to such property

for any taxable year (after the taxable year during which the property is placed in service) shall be—

“(i) the amount so allowable for such taxable year without regard to this subparagraph, multiplied by

“(ii) the applicable neutral cost recovery ratio for such taxable year (as determined under section 168(j)).

This subparagraph shall not apply to any property with respect to which there is an election in effect not to have section 168(j) apply.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 1992.

SEC. 3. REPEAL OF SPECIAL DEPRECIATION RULES APPLICABLE UNDER THE ADJUSTED CURRENT EARNINGS PROVISIONS OF THE MINIMUM TAX.

(a) IN GENERAL.—Subparagraph (A) of section 56(g)(4) of the Internal Revenue Code of 1986 (relating to adjustments) is amended to read as follows:

“(A) DEPRECIATION.—

“(i) IN GENERAL.—The depreciation deduction with respect to any property for

1 any taxable year beginning after December
2 31, 1992, shall be the same as the depre-
3 ciation deduction allowable in computing
4 alternative minimum taxable income for
5 such taxable year.

6 “(ii) BASIS RULES.—Notwithstanding
7 subparagraph (I), the adjusted basis of
8 any depreciable property held by the tax-
9 payer as of the beginning of the taxpayer’s
10 first taxable year beginning after Decem-
11 ber 31, 1992, shall be determined as if the
12 provisions of clause (i) had also applied to
13 taxable years beginning in 1990, 1991, or
14 1992.

15 “(iii) LOST BASIS RECOVERED OVER 5
16 YEARS.—The amount determined under
17 clause (iv) shall be allowed as a deduction
18 ratably over the 60-month period begin-
19 ning with the first month of the taxpayer’s
20 first taxable year beginning after Decem-
21 ber 31, 1992.

22 “(iv) AMOUNT OF LOST BASIS.—The
23 amount determined under this clause is the
24 excess of—

1 “(I) the aggregate adjusted bases
2 of depreciable property held by the
3 taxpayer as of the beginning of the
4 taxpayer’s first taxable year beginning
5 after December 31, 1992, which
6 would have been determined (as of
7 such time) under subparagraph (I)
8 without regard to clause (ii), over
9 “(II) the aggregate adjusted
10 bases of such property (as of such
11 time) as determined under the rules of
12 clause (ii).”

13 (b) EFFECTIVE DATE.—The amendment made by
14 subsection (a) shall apply to taxable years beginning after
15 December 31, 1992.

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