

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> 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.

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## 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. TORKILDSEN, 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

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## 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 nth 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

1 for any taxable year (after the taxable year dur-  
2 ing which the property is placed in service)  
3 shall be—

4 “(i) the amount so allowable for such  
5 taxable year without regard to this sub-  
6 paragraph, multiplied by

7 “(ii) the applicable neutral cost recov-  
8 ery ratio for such taxable year (as deter-  
9 mined under section 168(j)).

10 This subparagraph shall not apply to any prop-  
11 erty with respect to which there is an election  
12 in effect not to have section 168(j) apply.”

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

16 **SEC. 3. REPEAL OF SPECIAL DEPRECIATION RULES APPLI-**  
17 **CABLE UNDER THE ADJUSTED CURRENT**  
18 **EARNINGS PROVISIONS OF THE MINIMUM**  
19 **TAX.**

20 (a) IN GENERAL.—Subparagraph (A) of section  
21 56(g)(4) of the Internal Revenue Code of 1986 (relating  
22 to adjustments) is amended to read as follows:

23 “(A) DEPRECIATION.—

24 “(i) IN GENERAL.—The depreciation  
25 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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