

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

# S. 1109

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 SENATE OF THE UNITED STATES

JUNE 15, 1993

Mr. PRESSLER introduced the following bill; which was read twice and referred to the Committee on Finance

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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,*

3       **SECTION 1. SHORT TITLE.**

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

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

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

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

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

19 “(A) the amount so allowable for such tax-  
20 able year without regard to this subsection,  
21 multiplied by

22 “(B) the applicable neutral cost recovery  
23 ratio for such taxable year.

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

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

5                   “(A) dividing—

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

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

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

24           The applicable neutral cost recovery ratio shall not  
25           be taken into account unless it is greater than 1.

1 The applicable neutral cost recovery ratio shall be  
2 rounded to the nearest one-tenth of 1 percent.

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

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

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

17 “(E) USE OF NEUTRAL COST RECOVERY  
18 RATIO.—In the case of tangible property placed  
19 in service in a taxable year beginning after De-  
20 cember 31, 1992, the deduction allowable under  
21 this paragraph with respect to such property  
22 for any taxable year (after the taxable year dur-  
23 ing which the property is placed in service)  
24 shall be—

1           “(i) the amount so allowable for such  
2 taxable year without regard to this sub-  
3 paragraph, multiplied by

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

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

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

13 **SEC. 3. REPEAL OF SPECIAL DEPRECIATION RULES APPLI-**  
14 **CABLE UNDER THE ADJUSTED CURRENT**  
15 **EARNINGS PROVISIONS OF THE MINIMUM**  
16 **TAX.**

17       (a) IN GENERAL.—Subparagraph (A) of section  
18 56(g)(4) of the Internal Revenue Code of 1986 (relating  
19 to adjustments) is amended to read as follows:

20           “(A) DEPRECIATION.—

21           “(i) IN GENERAL.—The depreciation  
22 deduction with respect to any property for  
23 any taxable year beginning after December  
24 31, 1992, shall be the same as the depre-  
25 ciation deduction allowable in computing

1 alternative minimum taxable income for  
2 such taxable year.

3 “(ii) BASIS RULES.—Notwithstanding  
4 clause (i), the adjusted basis of any depre-  
5 ciable property held by the taxpayer as of  
6 the beginning of the taxpayer’s first tax-  
7 able year beginning after December 31,  
8 1992, shall be determined as if the provi-  
9 sions of clause (i) had also applied to tax-  
10 able years beginning in 1990, 1991, and  
11 1992.

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

19 “(iv) AMOUNT OF LOST BASIS.—The  
20 amount determined under this clause is the  
21 excess of—

22 “(I) the aggregate adjusted bases  
23 of depreciable property held by the  
24 taxpayer as of the beginning of the  
25 taxpayer’s first taxable year beginning

1 after December 31, 1992, which  
2 would have been determined (as of  
3 such time) under clause (i) without  
4 regard to clause (ii), over

5 “(II) the aggregate adjusted  
6 bases of such property (as of such  
7 time) as determined under the rules of  
8 clause (ii).”

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

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