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113TH CONGRESS
2^D SESSION

H. R. 4718

[Report No. 113-]

To amend the Internal Revenue Code of 1986 to modify and make permanent bonus depreciation.

IN THE HOUSE OF REPRESENTATIVES

MAY 22, 2014

Mr. TIBERI (for himself, Mr. SCHOCK, Mr. YOUNG of Indiana, Mr. REED, Mr. PAULSEN, Mr. GRIFFIN of Arkansas, Mr. NUNES, Mr. KELLY of Pennsylvania, Mr. BRADY of Texas, Ms. JENKINS, Mr. BOUSTANY, Mr. MARCHANT, Mrs. BLACK, Mr. BUCHANAN, Mr. RENACCI, Mr. GERLACH, Mr. REICHERT, Mr. HUIZENGA of Michigan, and Mr. ROSKAM) introduced the following bill; which was referred to the Committee on Ways and Means

JUNE --, 2014

Reported with an amendment, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

[For text of introduced bill, see copy of bill as introduced on May 22, 2014]

A BILL

To amend the Internal Revenue Code of 1986 to modify
and make permanent bonus depreciation.

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. BONUS DEPRECIATION MODIFIED AND MADE**
4 **PERMANENT.**

5 *(a) MADE PERMANENT; INCLUSION OF QUALIFIED RE-*
6 *TAIL IMPROVEMENT PROPERTY.—Section 168(k)(2) of the*
7 *Internal Revenue Code of 1986 is amended to read as fol-*
8 *lows:*

9 “(2) *QUALIFIED PROPERTY.—For purposes of*
10 *this subsection—*

11 “(A) *IN GENERAL.—The term ‘qualified*
12 *property’ means property—*

13 “(i)(I) *to which this section applies*
14 *which has a recovery period of 20 years or*
15 *less,*

16 “(II) *which is computer software (as*
17 *defined in section 167(f)(1)(B)) for which a*
18 *deduction is allowable under section 167(a)*
19 *without regard to this subsection,*

20 “(III) *which is water utility property,*

21 “(IV) *which is qualified leasehold im-*
22 *provement property, or*

23 “(V) *which is qualified retail improve-*
24 *ment property, and*

1 “(ii) *the original use of which com-*
2 *mences with the taxpayer.*

3 “(B) *EXCEPTION FOR ALTERNATIVE DEPREE-*
4 *CIATION PROPERTY.—The term ‘qualified prop-*
5 *erty’ shall not include any property to which the*
6 *alternative depreciation system under subsection*
7 *(g) applies, determined—*

8 “(i) *without regard to paragraph (7) of*
9 *subsection (g) (relating to election to have*
10 *system apply), and*

11 “(ii) *after application of section*
12 *280F(b) (relating to listed property with*
13 *limited business use).*

14 “(C) *SPECIAL RULES.—*

15 “(i) *SALE-LEASEBACKS.—For purposes*
16 *of clause (ii) and subparagraph (A)(ii), if*
17 *property is—*

18 “(I) *originally placed in service*
19 *by a person, and*

20 “(II) *sold and leased back by such*
21 *person within 3 months after the date*
22 *such property was originally placed in*
23 *service,*

24 *such property shall be treated as originally*
25 *placed in service not earlier than the date*

1 *on which such property is used under the*
2 *leaseback referred to in subclause (II).*

3 *“(ii) SYNDICATION.—For purposes of*
4 *subparagraph (A)(ii), if—*

5 *“(I) property is originally placed*
6 *in service by the lessor of such prop-*
7 *erty,*

8 *“(II) such property is sold by*
9 *such lessor or any subsequent pur-*
10 *chaser within 3 months after the date*
11 *such property was originally placed in*
12 *service (or, in the case of multiple*
13 *units of property subject to the same*
14 *lease, within 3 months after the date*
15 *the final unit is placed in service, so*
16 *long as the period between the time the*
17 *first unit is placed in service and the*
18 *time the last unit is placed in service*
19 *does not exceed 12 months), and*

20 *“(III) the user of such property*
21 *after the last sale during such 3-month*
22 *period remains the same as when such*
23 *property was originally placed in serv-*
24 *ice,*

1 *such property shall be treated as originally*
2 *placed in service not earlier than the date*
3 *of such last sale.*

4 “(D) *COORDINATION WITH SECTION 280F.*—
5 *For purposes of section 280F—*

6 “(i) *AUTOMOBILES.*—*In the case of a*
7 *passenger automobile (as defined in section*
8 *280F(d)(5)) which is qualified property, the*
9 *Secretary shall increase the limitation*
10 *under section 280F(a)(1)(A)(i) by \$8,000.*

11 “(ii) *LISTED PROPERTY.*—*The deduc-*
12 *tion allowable under paragraph (1) shall be*
13 *taken into account in computing any recap-*
14 *ture amount under section 280F(b)(2).*

15 “(iii) *INFLATION ADJUSTMENT.*— *In*
16 *the case of any taxable year beginning in a*
17 *calendar year after 2014, the \$8,000*
18 *amount in clause (i) shall be increased by*
19 *an amount equal to—*

20 “(I) *such dollar amount, multi-*
21 *plied by*

22 “(II) *the automobile price infla-*
23 *tion adjustment determined under sec-*
24 *tion 280F(d)(7)(B)(i) for the calendar*
25 *year in which such taxable year begins*

1 by substituting ‘2013’ for ‘1987’ in
2 subclause (II) thereof.

3 If any increase under the preceding sentence
4 is not a multiple of \$100, such increase
5 shall be rounded to the nearest multiple of
6 \$100.

7 “(E) DEDUCTION ALLOWED IN COMPUTING
8 MINIMUM TAX.—For purposes of determining al-
9 ternative minimum taxable income under section
10 55, the deduction under section 167 for qualified
11 property shall be determined without regard to
12 any adjustment under section 56.”.

13 (b) EXPANSION OF ELECTION TO ACCELERATE AMT
14 CREDITS IN LIEU OF BONUS DEPRECIATION.—Section
15 168(k)(4) of such Code is amended to read as follows:

16 “(4) ELECTION TO ACCELERATE AMT CREDITS IN
17 LIEU OF BONUS DEPRECIATION.—

18 “(A) IN GENERAL.—If a corporation elects
19 to have this paragraph apply for any taxable
20 year—

21 “(i) paragraphs (1)(A), (2)(D)(i), and
22 (5)(A)(i) shall not apply for such taxable
23 year,

24 “(ii) the applicable depreciation meth-
25 od used under this section with respect to

1 *any qualified property shall be the straight*
2 *line method, and*

3 “(iii) *the limitation imposed by section*
4 *53(c) for such taxable year shall be in-*
5 *creased by the bonus depreciation amount*
6 *which is determined for such taxable year*
7 *under subparagraph (B).*

8 “(B) *BONUS DEPRECIATION AMOUNT.—For*
9 *purposes of this paragraph—*

10 “(i) *IN GENERAL.—The bonus depre-*
11 *ciation amount for any taxable year is an*
12 *amount equal to 20 percent of the excess (if*
13 *any) of—*

14 “(I) *the aggregate amount of de-*
15 *preciation which would be allowed*
16 *under this section for qualified prop-*
17 *erty placed in service by the taxpayer*
18 *during such taxable year if paragraph*
19 *(1) applied to all such property, over*

20 “(II) *the aggregate amount of de-*
21 *preciation which would be allowed*
22 *under this section for qualified prop-*
23 *erty placed in service by the taxpayer*
24 *during such taxable year if paragraph*

1 (1) did not apply to any such prop-
2 erty.

3 The aggregate amounts determined under
4 subclauses (I) and (II) shall be determined
5 without regard to any election made under
6 subsection (b)(2)(D), (b)(3)(D), or (g)(7)
7 and without regard to subparagraph
8 (A)(ii).

9 “(ii) *LIMITATION.*—The bonus depre-
10 ciation amount for any taxable year shall
11 not exceed the lesser of—

12 “(I) 50 percent of the minimum
13 tax credit under section 53(b) for the
14 first taxable year ending after Decem-
15 ber 31, 2013, or

16 “(II) the minimum tax credit
17 under section 53(b) for such taxable
18 year determined by taking into ac-
19 count only the adjusted net minimum
20 tax for taxable years ending before
21 January 1, 2014 (determined by treat-
22 ing credits as allowed on a first-in,
23 first-out basis).

24 “(iii) *AGGREGATION RULE.*—All cor-
25 porations which are treated as a single em-

1 *ployer under section 52(a) shall be treat-*
2 *ed—*

3 *“(I) as 1 taxpayer for purposes of*
4 *this paragraph, and*

5 *“(II) as having elected the appli-*
6 *cation of this paragraph if any such*
7 *corporation so elects.*

8 *“(C) CREDIT REFUNDABLE.—For purposes*
9 *of section 6401(b), the aggregate increase in the*
10 *credits allowable under part IV of subchapter A*
11 *for any taxable year resulting from the applica-*
12 *tion of this paragraph shall be treated as allowed*
13 *under subpart C of such part (and not any other*
14 *subpart).*

15 *“(D) OTHER RULES.—*

16 *“(i) ELECTION.—Any election under*
17 *this paragraph may be revoked only with*
18 *the consent of the Secretary.*

19 *“(ii) PARTNERSHIPS WITH ELECTING*
20 *PARTNERS.—In the case of a corporation*
21 *which is a partner in a partnership and*
22 *which makes an election under subpara-*
23 *graph (A) for the taxable year, for purposes*
24 *of determining such corporation’s distribu-*

1 *tive share of partnership items under sec-*
2 *tion 702 for such taxable year—*

3 *“(I) paragraphs (1)(A), (2)(D)(i),*
4 *and (5)(A)(i) shall not apply, and*

5 *“(II) the applicable depreciation*
6 *method used under this section with re-*
7 *spect to any qualified property shall be*
8 *the straight line method.*

9 *“(iii) CERTAIN PARTNERSHIPS.—In*
10 *the case of a partnership in which more*
11 *than 50 percent of the capital and profits*
12 *interests are owned (directly or indirectly)*
13 *at all times during the taxable year by 1*
14 *corporation (or by corporations treated as 1*
15 *taxpayer under subparagraph (B)(iii)),*
16 *each partner shall compute its bonus depre-*
17 *ciation amount under clause (i) of subpara-*
18 *graph (B) by taking into account its dis-*
19 *tributive share of the amounts determined*
20 *by the partnership under subclauses (I) and*
21 *(II) of such clause for the taxable year of*
22 *the partnership ending with or within the*
23 *taxable year of the partner.”.*

1 (c) *SPECIAL RULES FOR TREES AND VINES BEARING*
2 *FRUITS AND NUTS.*—Section 168(k) of such Code is amend-
3 *ed—*

4 (1) *by striking paragraph (5), and*

5 (2) *by inserting after paragraph (4) the fol-*
6 *lowing new paragraph:*

7 “(5) *SPECIAL RULES FOR TREES AND VINES*
8 *BEARING FRUITS AND NUTS.*—

9 “(A) *IN GENERAL.*—*In the case of any tree*
10 *or vine bearing fruits or nuts which is planted,*
11 *or is grafted to a plant that has already been*
12 *planted, by the taxpayer in the ordinary course*
13 *of the taxpayer’s farming business (as defined in*
14 *section 263A(e)(4))—*

15 “(i) *a depreciation deduction equal to*
16 *50 percent of the adjusted basis of such tree*
17 *or vine shall be allowed under section*
18 *167(a) for the taxable year in which such*
19 *tree or vine is so planted or grafted, and*

20 “(ii) *the adjusted basis of such tree or*
21 *vine shall be reduced by the amount of such*
22 *deduction.*

23 “(B) *ELECTION OUT.*—*If a taxpayer makes*
24 *an election under this subparagraph for any tax-*
25 *able year, this paragraph shall not apply to any*

1 *tree or vine planted or grafted during such tax-*
2 *able year. An election under this subparagraph*
3 *may be revoked only with the consent of the Sec-*
4 *retary.*

5 “(C) *ADDITIONAL DEPRECIATION MAY BE*
6 *CLAIMED ONLY ONCE.—If this paragraph applies*
7 *to any tree or vine, such tree or vine shall not*
8 *be treated as qualified property in the taxable*
9 *year in which placed in service.*

10 “(D) *COORDINATION WITH ELECTION TO AC-*
11 *CELERATE AMT CREDITS.—If a corporation*
12 *makes an election under paragraph (4) for any*
13 *taxable year, the amount under paragraph*
14 *(4)(B)(i)(I) for such taxable year shall be in-*
15 *creased by the amount determined under sub-*
16 *paragraph (A)(i) for such taxable year.*

17 “(E) *DEDUCTION ALLOWED IN COMPUTING*
18 *MINIMUM TAX.—Rules similar to the rules of*
19 *paragraph (2)(E) shall apply for purposes of*
20 *this paragraph.”.*

21 (d) *CONFORMING AMENDMENTS.—*

22 (1) *Section 168(e)(8) of such Code is amended by*
23 *striking subparagraph (D).*

24 (2) *Section 168(k) of such Code is amended by*
25 *adding at the end the following new paragraph:*

1 “(6) *ELECTION OUT.*—If a taxpayer makes an
2 election under this paragraph with respect to any
3 class of property for any taxable year, this subsection
4 shall not apply to all property in such class placed
5 in service (or, in the case of paragraph (5), planted
6 or grafted) during such taxable year. An election
7 under this paragraph may be revoked only with the
8 consent of the Secretary.”.

9 (3) Section 168(l)(5) of such Code is amended by
10 striking “section 168(k)(2)(G)” and inserting “section
11 168(k)(2)(E)”.

12 (4) Section 263A(c) of such Code is amended by
13 adding at the end the following new paragraph:

14 “(7) *COORDINATION WITH SECTION 168(k)(5).*—
15 This section shall not apply to any amount allowable
16 as a deduction by reason of section 168(k)(5) (relat-
17 ing to special rules for trees and vines bearing fruits
18 and nuts).”.

19 (5) Section 460(c)(6)(B) of such Code is amend-
20 ed by striking “which—” and all that follows and in-
21 serting “which has a recovery period of 7 years or
22 less.”.

23 (6) Section 168(k) of such Code is amended by
24 striking “ACQUIRED AFTER DECEMBER 31, 2007,

1 *AND BEFORE JANUARY 1, 2014*” in the heading there-
2 of.

3 (e) *EFFECTIVE DATES.*—

4 (1) *IN GENERAL.*—*Except as otherwise provided*
5 *in this subsection, the amendments made by this sec-*
6 *tion shall apply to property placed in service after*
7 *December 31, 2013.*

8 (2) *EXPANSION OF ELECTION TO ACCELERATE*
9 *AMT CREDITS IN LIEU OF BONUS DEPRECIATION.*—

10 (A) *IN GENERAL.*—*The amendment made*
11 *by subsection (b) (other than so much of such*
12 *amendment as relates to section 168(k)(4)(D)(iii)*
13 *of such Code, as added by such amendment) shall*
14 *apply to taxable years ending after December 31,*
15 *2013.*

16 (B) *TRANSITIONAL RULE.*—*In the case of a*
17 *taxable year beginning before January 1, 2014,*
18 *and ending after December 31, 2013, the bonus*
19 *depreciation amount determined under section*
20 *168(k)(4) of such Code for such year shall be the*
21 *sum of—*

22 (i) *such amount determined without*
23 *regard to the amendments made by this sec-*
24 *tion and—*

1 (I) by taking into account only
2 property placed in service before Janu-
3 ary 1, 2014, and

4 (II) by multiplying the limitation
5 under section 168(k)(4)(C)(ii) of such
6 Code (determined without regard to the
7 amendments made by this section) by
8 a fraction the numerator of which is
9 the number of days in the taxable year
10 before January 1, 2014, and the de-
11 nominator of which is the number of
12 days in the taxable year, and

13 (ii) such amount determined after tak-
14 ing into account the amendments made by
15 this section and—

16 (I) by taking into account only
17 property placed in service after Decem-
18 ber 31, 2013, and

19 (II) by multiplying the limitation
20 under section 168(k)(4)(B)(ii) of such
21 Code (as amended by this section) by a
22 fraction the numerator of which is the
23 number of days in the taxable year
24 after December 31, 2013, and the de-

1 *nominator of which is the number of*
2 *days in the taxable year.*

3 *(3) SPECIAL RULES FOR CERTAIN TREES AND*
4 *VINES.—The amendment made by subsection (c)(2)*
5 *shall apply to trees and vines planted or grafted after*
6 *December 31, 2013.*