

104TH CONGRESS
1ST SESSION

H. R. 2722

To amend the Internal Revenue Code of 1986 to provide that the look-back method shall not apply to construction contracts required to use the percentage of completion method.

IN THE HOUSE OF REPRESENTATIVES

DECEMBER 6, 1995

Mr. CHRISTENSEN 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 look-back method shall not apply to construction contracts required to use the percentage of completion method.

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. FINDINGS.**

4 The Congress finds that—

5 (1) eliminating the application of the look-back
6 method to nonresidential construction contracts is
7 revenue neutral and will save the time and money

1 being expended by construction contractors in apply-
2 ing such method,

3 (2) the look-back method is not needed as an
4 enforcement mechanism in the construction industry,
5 and

6 (3) the look-back method does not provide the
7 relief from the percentage of completion method that
8 it was intended to provide to construction contrac-
9 tors because compliance costs far outweigh overpay-
10 ments repaid to taxpayers by the Internal Revenue
11 Service.

12 **SEC. 2. LOOK-BACK METHOD NOT TO APPLY TO CONSTRUC-**
13 **TION CONTRACTS REQUIRED TO USE THE**
14 **PERCENTAGE OF COMPLETION METHOD.**

15 (a) IN GENERAL.—Subparagraph (B) of section
16 460(b)(3) of the Internal Revenue Code of 1986 (relating
17 to look-back method not to apply to certain contracts) is
18 amended by striking “shall not apply to any contract” and
19 inserting “shall not apply to any construction contract (as
20 defined in subsection (e)(4)) and to any other contract”.

21 (b) MINIMUM TAX TREATMENT.—Paragraph (3) of
22 section 56(a) of such Code is amended by striking the sec-
23 ond sentence and inserting the following new sentence:
24 “For purposes of applying the preceding sentence to a

1 construction contract (as defined in section 460(e)(4)),
2 section 460(b)(1)(B) shall not apply.”

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years ending on or after
5 December 31, 1994.

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