

106TH CONGRESS  
2D SESSION

# H. R. 5497

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for certain audio or video postproduction equipment.

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## IN THE HOUSE OF REPRESENTATIVES

OCTOBER 18, 2000

Mr. WELLER (for himself, Mr. FOLEY, Mr. BECERRA, Mr. MATSUI, Mr. RAMSTAD, Mr. ENGLISH, Mr. ROGAN, Mr. SESSIONS, Mr. SENSENBRENNER, Mr. LEWIS of Georgia, Mr. COYNE, Mrs. MALONEY of New York, Mrs. JONES of Ohio, Mr. WAXMAN, Mr. CONDIT, and Mr. BERMAN) 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 allow a credit against income tax for certain audio or video postproduction equipment.

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. CREDIT FOR BUSINESS USE OF AUDIO AND**  
4 **VIDEO POSTPRODUCTION EQUIPMENT.**

5 (a) IN GENERAL.—Subpart D of part IV of sub-  
6 chapter A of chapter 1 of the Internal Revenue Code of  
7 1986 (relating to business related credits) is amended by  
8 adding at the end the following new section:

1 **“SEC. 45D. AUDIO AND VIDEO POSTPRODUCTION EQUIP-**  
2 **MENT.**

3 “(a) IN GENERAL.—For purposes of section 38, the  
4 postproduction equipment credit determined under this  
5 section for the taxable year is an amount equal to 20 per-  
6 cent of the excess (if any) of—

7 “(1) the aggregate basis of qualified  
8 postproduction equipment placed in service by the  
9 taxpayer during the taxable year, over

10 “(2) an amount equal to 5 percent of the tax-  
11 payer’s average annual gross receipts from digital  
12 postproduction services for the 4 preceding taxable  
13 years.

14 “(b) DEFINITIONS.—For purposes of this section—

15 “(1) QUALIFIED POSTPRODUCTION EQUIP-  
16 MENT.—The term ‘qualified postproduction equip-  
17 ment’ means any tangible personal property (not in-  
18 cluding a building and its structural components)  
19 but only if—

20 “(A) it is reasonable to expect that at least  
21 50 percent of the use of such property during  
22 each of the first 3 years after being placed in  
23 service by the taxpayer will be—

24 “(i) to provide digital postproduction  
25 services, or

1           “(ii) to maintain, operate, control,  
2           regulate, repair, measure, or test property  
3           used to provide digital postproduction serv-  
4           ices, and

5           “(B) section 168 applies to such property.

6           “(2) POSTPRODUCTION SERVICES.—The term  
7           ‘postproduction services’ means—

8           “(A) services to transform, manipulate, as-  
9           semble, and duplicate visual moving images and  
10          synchronous sound previously captured during  
11          principal photography,

12          “(B) the creation of visual images and syn-  
13          chronous sound to be used with visual moving  
14          images and sound captured during principal  
15          photography,

16          “(C) animation services, or

17          “(D) the providing of equipment to per-  
18          form services referred to in any of the pre-  
19          ceding subparagraphs.

20          “(3) DIGITAL POSTPRODUCTION SERVICES.—

21          The term ‘digital postproduction services’ means  
22          postproduction services where—

23          “(A) the customer delivery requirement to  
24          meet the ATSC compression format restraints  
25          is one of the 23 specified image formats listed

1 in the Advanced Television Systems Committee  
2 Digital Television Standard Table 3, or

3 “(B) program audio has more than 2  
4 channel sound that will be downmixed through  
5 use of the AC3 compression standard specified  
6 by the Advanced Television Systems Committee  
7 Digital Television Standard.

8 “(c) RECAPTURE.—Rules similar to the rules of sec-  
9 tion 50(a) shall apply to the credit determined under this  
10 section; except that—

11 “(1) the recapture percentage shall be 100 per-  
12 cent if the property is used to provide services on  
13 any production subject to the record keeping re-  
14 quirements of section 2257 of title 18, United States  
15 Code (relating to record keeping requirements with  
16 respect to films, etc., with sexually explicit content),  
17 and

18 “(2) if, during any of the first 3 years after the  
19 property is placed in service, less than 50 percent of  
20 the use of the property is for purposes referred to  
21 in subsection (b)(1)(A), such property shall cease to  
22 be qualified postproduction equipment as of the be-  
23 ginning of the earliest such year.

24 “(d) SPECIAL RULES.—

1           “(1) PROPERTY USED OUTSIDE UNITED  
2 STATES.—No credit shall be determined under this  
3 section with respect to property which is used pre-  
4 dominantly outside the United States.

5           “(2) CERTAIN RULES TO APPLY.—Rules similar  
6 to the rules of subsections (c)(6), (f), and (g) of sec-  
7 tion 41 shall apply for purposes of this section.

8           “(3) REDUCTION IN BASIS.—For purposes of  
9 this subtitle, if a credit is determined under this sec-  
10 tion with respect to any property, the basis of such  
11 property shall be reduced by the amount of the cred-  
12 it so determined.”

13 (b) CONFORMING AMENDMENTS.—

14           (1) Section 38(b) of such Code is amended—

15               (A) by striking “plus” at the end of para-  
16 graph (11),

17               (B) by striking the period at the end of  
18 paragraph (12), and inserting “, plus”, and

19               (C) by adding at the end the following new  
20 paragraph:

21           “(13) the postproduction credit determined  
22 under section 45D.”

23           (2) Subsection (d) of section 39 of such Code  
24 (relating to carryback and carryforward of unused

1 credits) is amended by adding at the end the fol-  
2 lowing new paragraph:

3 “(9) NO CARRYBACK OF SECTION 45D CREDIT  
4 BEFORE JANUARY 1, 2001.—No portion of the un-  
5 used business credit for any taxable year which is  
6 attributable to the credit determined under section  
7 45D may be carried back to a taxable year begin-  
8 ning before January 1, 2001.”

9 (3) The table of sections for subpart D of part  
10 IV of subchapter A of chapter 1 of such Code is  
11 amended by adding at the end the following new  
12 item:

“Sec. 45D. Audio and video postproduction equipment.”

13 (c) EFFECTIVE DATE.—The amendments made by  
14 this section shall apply to property placed in service after  
15 December 31, 2000.

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