

107TH CONGRESS
1ST SESSION

H. R. 2485

To amend the Internal Revenue Code of 1986 to allow advanced applied technology equipment to be expensed and to reduce the depreciation recovery periods for certain other property.

IN THE HOUSE OF REPRESENTATIVES

JULY 12, 2001

Mr. ENGLISH (for himself, Mr. NEAL of Massachusetts, Mrs. JOHNSON of Connecticut, Mr. TANNER, and Mr. FOLEY) 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 allow advanced applied technology equipment to be expensed and to reduce the depreciation recovery periods for certain other property.

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; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “High Productivity Investment Act of 2001”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
2 shall be considered to be made to a section or other provi-
3 sion of the Internal Revenue Code of 1986.

4 (c) SECRETARY.—References in this Act to the “Sec-
5 retary” are to the Secretary of the Treasury or his dele-
6 gate.

7 **SEC. 2. FINDINGS; NEW COST RECOVERY SYSTEM DE-**
8 **SIGNED TO INCREASE PRODUCTIVITY AND**
9 **WAGES.**

10 (a) FINDINGS.—The Congress finds that—

11 (1) capital spending on applied technology is
12 enabling Americans to be more productive thereby
13 raising their wages and causing the economy to
14 grow;

15 (2) economic growth has eliminated the deficit
16 and provided for long-term tax cuts, increases in
17 spending and debt reduction;

18 (3) continuing high levels of investment in the
19 most modern and efficient capital equipment will
20 preserve and magnify these gains; and

21 (4) the result of sustained productivity growth
22 will be a permanently higher standard of living for
23 Americans.

1 (b) REDUCING THE COST OF CAPITAL.—The Act re-
2 duces the after-tax cost of productive capital equipment
3 by—

4 (1) allowing the full cost of the most advanced
5 applied technology to be deducted in the year the
6 property is placed in service; and

7 (2) allowing the full cost of other associated
8 machinery and equipment to be recovered by deduc-
9 tions spread over 3, 5, 7, 10, or 15 years.

10 (c) GUIDING PRINCIPLES.—The goal is to put the
11 best tools in the hands of Americans, thereby—

12 (1) raising their wages by helping them to
13 produce more goods and services faster, better and
14 cheaper; and

15 (2) bringing about a long-term structural im-
16 provement in the United States economy built
17 around a permanently higher level of productivity
18 and income.

19 **SEC. 3. ADOPTION OF THE HIGH PRODUCTIVITY INVEST-**
20 **MENT DEDUCTION AND RAPID COST RECOV-**
21 **ERY SYSTEM.**

22 (a) IN GENERAL.—Part VI of subchapter B of chap-
23 ter 1 (relating to itemized deductions for individuals and
24 corporations) is amended by inserting after section 168
25 the following new sections:

1 **“SEC. 168A. RAPID COST RECOVERY SYSTEM.**

2 “(a) GENERAL RULE.—Except as otherwise provided
3 in this section, the depreciation deduction provided by sec-
4 tion 167(a) for any tangible property placed in service on
5 or after January 1, 2002, shall be determined by using—

6 “(1) the applicable recovery method,

7 “(2) the applicable recovery period, and

8 “(3) the applicable convention.

9 “(b) APPLICABLE RECOVERY METHOD.—

10 “(1) GENERAL RULE FOR PLANT AND EQUIP-
11 MENT.—Except as provided in paragraphs (2) and
12 (3), the applicable recovery method is—

13 “(A) the 200 percent declining balance
14 method,

15 “(B) switching to the straight line method
16 for the 1st taxable year for which using the
17 straight line method with respect to the ad-
18 justed basis as of the beginning of such year
19 will yield a larger allowance.

20 “(2) SPECIAL RULE FOR LONG-LIFED PER-
21 SONAL PROPERTY.—Paragraph (1) shall be applied
22 by substituting ‘150 percent’ for ‘200 percent’ in the
23 case of—

24 “(A) any 10-year property or 15-year
25 property, or

1 “(B) any property with respect to which
2 the taxpayer is eligible to elect and elects under
3 paragraph (5) to have the provisions of this
4 paragraph apply.

5 “(3) PROPERTY TO WHICH THE STRAIGHT-LINE
6 METHOD APPLIES.—The applicable depreciation
7 method is the straight-line method in the case of the
8 following property:

9 “(A) Nonresidential real property.

10 “(B) Residential rental property.

11 “(C) Any railroad grading or tunnel bore.

12 “(D) Property with respect to which the
13 taxpayer elects under paragraph (5) to have the
14 provisions of this paragraph apply.

15 “(4) SALVAGE VALUE.—Salvage value shall be
16 treated as zero for purposes of determining allow-
17 ances under this section.

18 “(5) ELECTIONS.—

19 “(A) STRAIGHT-LINE METHOD.—A tax-
20 payer may elect to use the straight-line method
21 in lieu of the method otherwise required under
22 this subsection for 1 or more classes of property
23 for any taxable year.

24 “(B) 150 Percent declining balance meth-
25 od.—A taxpayer may elect to use the method

1 described in paragraph (2) for any taxable year
 2 for 1 or more classes of property for which the
 3 method described in paragraph (1) otherwise
 4 would apply.

5 “(C) APPLICATION OF ELECTION.—Any
 6 election made under this paragraph shall apply
 7 to all property in the class for which the elec-
 8 tion is made and, once made, shall be irrev-
 9 ocable.

10 “(c) APPLICABLE RECOVERY PERIOD.—The applica-
 11 ble recovery period shall be determined in accordance with
 12 the following table:

“In the case of:	The applicable recovery period is:
High productivity property	1 year
3-year property	3 years
5-year property	5 years
Electric generating assets	7 years
10-year property	10 years
15-year property	10 years
Residential rental property	27.5 years
Nonresidential real property	39 years
Any railroad grading or tunnel bore	50 years.

13 “(d) APPLICABLE CONVENTION.—

14 “(1) IN GENERAL.—Except as otherwise pro-
 15 vided in this subsection, the applicable convention is
 16 the half-year convention.

17 “(2) REAL PROPERTY.—The applicable conven-
 18 tion is the mid-month convention in the case of—

19 “(A) residential rental property,

20 “(B) nonresidential real property, and

1 “(C) any railroad grading or tunnel bore.

2 “(3) SPECIAL RULE WHERE SUBSTANTIAL
3 PROPERTY PLACED IN SERVICE DURING LAST 3
4 MONTHS OF TAXABLE YEAR.—Except as provided in
5 regulations, if during any taxable year—

6 “(A) the aggregate bases of property to
7 which paragraph (1) applies (as determined
8 without application of this subparagraph)
9 placed in service during the last 3 months of
10 the taxable year, exceed

11 “(B) 40 percent of the aggregate bases of
12 property to which paragraph (1) applies (as de-
13 termined without application of this subpara-
14 graph) placed in service during such taxable
15 year, the applicable convention for all property
16 to which paragraph (1) would apply (as deter-
17 mined without application of this subpara-
18 graph) placed in service during such taxable
19 year shall be the mid-quarter convention.

20 “(4) DEFINITIONS.—

21 “(A) HALF-YEAR CONVENTION.—The half-
22 year convention is a convention which treats all
23 property placed in service during any taxable
24 year (or disposed of during any taxable year) as

1 placed in service (or disposed of) on the mid-
2 point of such taxable year.

3 “(B) MID-MONTH CONVENTION.—The
4 mid-month convention is a convention which
5 treats all property placed in service during any
6 month (or disposed of during any month) as
7 placed in service (or disposed of) on the mid-
8 point of such month.

9 “(C) MID-QUARTER CONVENTION.—The
10 mid-quarter convention is a convention which
11 treats all property placed in service during any
12 quarter of a taxable year (or disposed of during
13 any quarter of a taxable year) as placed in serv-
14 ice (or disposed of) on the mid-point of such
15 quarter.

16 “(e) CLASSIFICATION OF PROPERTY.—

17 “(1) IN GENERAL.—Except as otherwise pro-
18 vided in this subsection, property that is not high
19 productivity property, electric generating assets, a
20 railroad grading or tunnel bore, residential rental
21 property, or nonresidential real property shall be
22 classified under the following table:

Property shall be treated as:	If such property has a modified class life (in years) of:
3-year property	3
5-year property	5
10-year property	10
15-year property	15.

1 “(2) HIGH PRODUCTIVITY PROPERTY.—

2 “(A) CLASSIFICATION OF PROPERTY.—For
3 purposes of applying this section to high pro-
4 ductivity property for which an election is not
5 made under section 168B(a) and for purposes
6 of other provisions of this title that require clas-
7 sification of property—

8 “(i) high productivity property which
9 has a modified class life of 3 years shall be
10 treated as 3-year property, and

11 “(ii) all other high productivity prop-
12 erty shall be treated as 5-year property.

13 “(B) DEFINITION.—The term ‘high pro-
14 ductivity property’ has the same meaning as the
15 term ‘high productivity property’ under section
16 168B.

17 “(3) REAL PROPERTY.—For purposes of this
18 section—

19 “(A) RESIDENTIAL RENTAL PROPERTY.—

20 “(i) IN GENERAL.—The term ‘residen-
21 tial rental property’ means any building or
22 structure if 80 percent or more of the
23 gross rental income from such building or
24 structure for the taxable year is rental in-
25 come from dwelling units.

1 “(ii) DEFINITIONS.—For purposes of
2 clause (i)—

3 “(I) the term ‘dwelling unit’
4 means a house or apartment used to
5 provide living accommodations in a
6 building or structure, but does not in-
7 clude a unit in a hotel, motel, or other
8 establishment more than one-half of
9 the units in which are used on a tran-
10 sient basis, and

11 “(II) if any portion of the build-
12 ing or structure is occupied by the
13 taxpayer, the gross rental income
14 from such building or structure shall
15 include the rental value of the portion
16 so occupied.

17 “(B) NONRESIDENTIAL REAL PROP-
18 PERTY.—The term ‘nonresidential real property’
19 means section 1250 property which is not—

20 “(i) residential rental property, or

21 “(ii) property with a modified class
22 life.

23 “(4) RAILROAD GRADING OR TUNNEL BORE.—

24 The term ‘railroad grading or tunnel bore’ means all
25 improvements resulting from excavations (including

1 tunneling), construction of embankments, clearings,
2 diversions of roads and streams, sodding of slopes,
3 and from similar work necessary to provide, con-
4 struct, reconstruct, alter, protect, improve, replace
5 or restore a roadbed or right-of-way for railroad
6 track.

7 “(5) ELECTRIC GENERATING ASSETS.—The
8 term ‘electric generating assets’ means property
9 used in—

10 “(A) nuclear power production,

11 “(B) hydraulic power production,

12 “(C) steam power production, or

13 “(D) custom turbine production of elec-
14 tricity for sale to the public, other than assets
15 with a modified class of less than 7 years.

16 “(f) EXCLUDED PROPERTY.—This section shall not
17 apply to—

18 “(1) CERTAIN METHODS OF DEPRECIATION.—

19 Any property if—

20 “(A) the taxpayer elects to exclude such
21 property from the application of this section,
22 and

23 “(B) for the 1st taxable year for which a
24 depreciation deduction would be allowable with
25 respect to such property in the hands of the

1 taxpayer, the property is properly depreciated
2 under the unit-of-production method or any
3 method of depreciation not expressed in a term
4 of years (other than the retirement-replace-
5 ment-betterment method or similar method).

6 “(2) CERTAIN PUBLIC UTILITY PROPERTY.—
7 Any public utility property (within the meaning of
8 section 168(i)(10)) if the taxpayer does not use a
9 normalization method of accounting (as determined
10 under section 168(i)(9)).

11 “(3) FILMS AND VIDEO TAPE.—Any motion pic-
12 ture film or video tape.

13 “(4) SOUND RECORDINGS.—Any works which
14 result from the fixation of a series of musical, spo-
15 ken, or other sounds, regardless of the nature of the
16 material (such as discs, tapes, or other
17 phonorecordings) in which such sounds are em-
18 bodied.

19 “(5) CERTAIN PROPERTY PLACED IN SERVICE
20 IN CHURNING TRANSACTIONS.—

21 “(A) IN GENERAL.—This section shall not
22 apply to any churning property acquired by the
23 taxpayer after December 31, 2001, if—

1 “(i) the property was owned or used
2 at any time during 2001 by the taxpayer
3 or a related person,

4 “(ii) the property was owned or used
5 at any time during 2001, and, as part of
6 the transaction, the user of the property
7 does not change,

8 “(iii) the taxpayer leases such prop-
9 erty to a person (or a person related to
10 such person) who owned or used such
11 property at any time during 2001, or

12 “(iv) the property is acquired in a
13 transaction as part of which the user of
14 such property does not change and the
15 property was acquired from a person to
16 which clause (ii) or clause (iii) applies.

17 “(B) CHURNING PROPERTY.—For pur-
18 poses of this paragraph, the term ‘churning
19 property’ means any property that was first
20 placed in service before January 1, 2002, if the
21 recovery life of such property in the hands of
22 the transferor (determined as of the time the
23 property was placed in service) is greater than
24 the recovery life of such property in the hands

1 of the transferee (determined as if this para-
2 graph did not apply).

3 “(C) APPLICABLE COST RECOVERY
4 RULES.—Section 168 shall apply to any prop-
5 erty to which this section does not apply by rea-
6 son of this paragraph.

7 “(D) SPECIAL RULES.—For purposes of
8 this paragraph—

9 “(i) property shall not be treated as
10 owned before it is placed in service, and

11 “(ii) whether the user of a property
12 changes will be determined in accordance
13 with regulations prescribed by the Sec-
14 retary.

15 “(6) EXPENSED PROPERTY.—Property the ex-
16 penses of which are not chargeable to capital ac-
17 count under another provision of this chapter, except
18 to the extent provided in the applicable provision.

19 “(g) ALTERNATIVE DEPRECIATION SYSTEM.—

20 “(1) IN GENERAL.—In the case of—

21 “(A) any tangible property which during
22 the taxable year is used predominantly outside
23 the United States,

1 “(B) any tax-exempt use property (as de-
2 fined in section 168(h) and modified by para-
3 graph (3)),

4 “(C) any tax-exempt bond financed prop-
5 erty (as defined in section 168(g)(5)),

6 “(D) any imported property covered by an
7 Executive order under section 168(g)(6), and

8 “(E) any property to which the taxpayer
9 makes an election to have this subsection apply
10 in accordance with procedures described in sec-
11 tion 168(g)(7),

12 which is placed in service after December 31, 2001,
13 the depreciation deduction provided by section
14 167(a) shall be determined under the alternative de-
15 preciation system of section 168(g) as modified by
16 paragraph (2).

17 “(2) MODIFICATIONS TO ALTERNATIVE DEPREE-
18 CIATION SYSTEM.—For purposes of applying the al-
19 ternative depreciation system of section 168(g) to
20 property described in paragraph (1)—

21 “(A) RECOVERY PERIOD FOR HIGH PRO-
22 DUCTIVITY PROPERTY.—Subparagraph (C) of
23 section 168(g)(3) shall apply by substituting
24 ‘high productivity property (as defined in sec-

1 tion 168B(b))’ for ‘qualified technological
2 equipment’.

3 “(B) LEASE OF HIGH PRODUCTIVITY
4 PROPERTY.—For purposes of applying the defi-
5 nition of ‘tax-exempt use property’ in section
6 168(h), the phrase ‘high productivity property
7 (as defined in section 168B(b))’ shall be sub-
8 stituted for ‘qualified technological equipment’
9 in paragraph (3) of section 168(h).

10 “(C) ELECTRIC GENERATING ASSETS.—In
11 the case of electric generating assets the recov-
12 ery period used for purposes of paragraph (2)
13 of section 168(g) shall be 10 years.

14 “(h) DEFINITIONS.—

15 “(1) MODIFIED CLASS LIFE.—

16 “(A) IN GENERAL.—The term ‘modified
17 class life’ means the modified class life of an
18 item of property as set forth in a table prepared
19 by the Secretary in accordance with section 7 of
20 the High Productivity Investment Act of 2001.

21 “(B) BEFORE PREPARATION OF TABLE.—

22 In the case of a taxpayer which is required to
23 file a return before the table described in sub-
24 clause (A) is published, the taxpayer shall de-
25 termine the modified class life of property in ac-

1 cordance with the principles of section 7 of the
2 High Productivity Investment Act of 2001.

3 “(2) SECTION 1245 AND 1250 PROPERTY.—The
4 terms ‘section 1245 property’ and ‘section 1250
5 property’ have the meanings given such terms by
6 sections 1245(a)(3) and 1250(c), respectively.

7 “(i) SPECIAL RULES.—

8 “(1) GENERAL ASSET ACCOUNTS.—Under regu-
9 lations, a taxpayer may maintain 1 or more general
10 asset accounts for any property to which this section
11 applies. Except as provided in regulations, all pro-
12 ceeds realized on any disposition of property in a
13 general asset account shall be included in income as
14 ordinary income.

15 “(2) CHANGES IN USE.—The Secretary shall,
16 by regulations, provide for the method of deter-
17 mining the deduction allowable under section 167(a)
18 with respect to any tangible property for any taxable
19 year (and the succeeding taxable years) during
20 which such property changes status under this sec-
21 tion but continues to be held by the same person.

22 “(3) TREATMENTS OF ADDITIONS OR IMPROVE-
23 MENTS TO PROPERTY.—In the case of any addition
24 to (or improvement of) any property—

1 “(A) any deduction under subsection (a)
2 for such addition or improvement shall be com-
3 puted in the same manner as the deduction for
4 such property would be computed if such prop-
5 erty had been placed in service at the same
6 time as such addition or improvement, and

7 “(B) the applicable recovery period for
8 such addition or improvement shall begin on the
9 later of—

10 “(i) the date on which such addition
11 (or improvement) is placed in service, or

12 “(ii) the date on which the property
13 with respect to which such addition (or im-
14 provement) was made is placed in service.

15 “(4) TREATMENT OF CERTAIN TRANS-
16 FEREES.—

17 “(A) IN GENERAL.—In the case of any
18 property transferred in a transaction described
19 in subparagraph (B), the transferee shall be
20 treated as the transferor for purposes of com-
21 puting the depreciation deduction determined
22 under this section or section 168, as the case
23 may be, with respect to so much of the basis
24 in the hands of the transferee as does not ex-
25 ceed the adjusted basis in the hands of the

1 transferor. In any case where this section 168
2 as in effect before the amendments made by
3 section 201 of the Tax Reform Act of 1986 ap-
4 plied to the property in the hands of the trans-
5 feror, the reference in the preceding sentence
6 to section 168 shall be treated as a reference
7 to such section as so in effect.

8 “(B) TRANSACTIONS COVERED.—The
9 transactions described in this subparagraph
10 are—

11 “(i) any transaction described in sec-
12 tion 332, 351, 361, 721, or 731, and

13 “(ii) any transaction between mem-
14 bers of the same affiliated group during
15 any taxable year for which a consolidated
16 return is made by such group.

17 Subparagraph (A) shall not apply in the case of
18 a termination of a partnership under section
19 708(b)(1)(B).

20 “(C) PROPERTY REACQUIRED BY THE TAX-
21 PAYER.—Under regulations, property which is
22 disposed of and then reacquired by the taxpayer
23 shall be treated for purposes of computing the
24 deduction allowable under subsection (a) as if
25 such property had not been disposed of.

1 “(5) TREATMENT OF LEASEHOLD IMPROVE-
2 MENTS.—

3 “(A) IN GENERAL.—In the case of any
4 building erected (or improvements made) on
5 leased property, if such building or improve-
6 ment is property to which this section applies,
7 the depreciation deduction shall be determined
8 under the provisions of this section.

9 “(B) TREATMENT OF LESSOR IMPROVE-
10 MENTS WHICH ARE ABANDONED AT TERMI-
11 NATION OF LEASE.—An improvement—

12 “(i) which is made by the lessor of
13 leased property for the lessee of such prop-
14 erty, and

15 “(ii) which is irrevocably disposed of
16 or abandoned by the lessor at the termi-
17 nation of the lease by such lessee, shall be
18 treated for purposes of determining gain or
19 loss under this title as disposed of by the
20 lessor when so disposed of or abandoned.

21 “(C) CROSS REFERENCE.—

**“For treatment of qualified long-term real prop-
erty constructed or improved in connection with
cash or rent reduction from lessor to lessee, see sec-
tion 110(b).”**

22 “(6) PUBLIC UTILITY PROPERTY WHICH DOES
23 NOT MEET NORMALIZATION RULES.—In the case of

1 any public utility property to which this section does
2 not apply by reason of subsection (f)(2), the allow-
3 ance for depreciation under section 167(a) shall be
4 an amount computed using the method and period
5 referred to in section 168(i)(9)(A)(i).

6 “(j) PROPERTY ON INDIAN RESERVATIONS.—

7 “(1) IN GENERAL.—A taxpayer may elect to
8 apply the cost recovery rules of section 168 (includ-
9 ing subsection (j) thereof), in lieu of the rules of this
10 section, to property to which the rules of section
11 168(j) would apply but for this section and section
12 168(k).

13 “(2) ELECTION.—Any election pursuant to
14 paragraph (1) shall apply to all ‘qualified Indian res-
15 ervation property’ (as defined in section 168(j))
16 placed in service by the taxpayer in the taxable year
17 to which the election relates.

18 **“SEC. 168B. HIGH PRODUCTIVITY INVESTMENT DEDUC-**
19 **TION.**

20 “(a) TREATMENT AS EXPENSES.—A taxpayer may
21 elect to treat the cost of any high productivity property
22 as an expense not chargeable to capital account. Any cost
23 so treated shall be allowed as a deduction in the taxable
24 year in which the high productivity property is placed in
25 service.

1 “(b) DEFINITION OF HIGH PRODUCTIVITY PROP-
2 ERTY.—

3 “(1) IN GENERAL.—Except as provided in para-
4 graph (3), the term ‘high productivity property’
5 means any—

6 “(A) computer,

7 “(B) computer related peripheral equip-
8 ment,

9 “(C) computer based machinery,

10 “(D) electronic diagnostic equipment,

11 “(E) electronic control equipment,

12 “(F) other electronic, electromechanical,
13 laser or computer based equipment,

14 “(G) computer software,

15 “(H) equipment used in the manufacture
16 of semiconductors,

17 “(I) high technology medical equipment,

18 “(J) advanced technology communications
19 equipment,

20 “(K) optical fiber and photonics equip-
21 ment,

22 “(L) advanced environmental products,

23 “(M) advanced life science products, or

24 “(N) new high productivity assets.

1 “(2) DEFINITIONS.—For purposes of this sub-
2 section:

3 “(A) COMPUTER.—The term ‘computer’
4 means a programmable electronically activated
5 device which—

6 “(i) is capable of accepting informa-
7 tion, applying prescribed processes to the
8 information, and supplying the results of
9 those processes, and

10 “(ii) consists of a central processing
11 unit containing extensive storage, logic,
12 arithmetic and control capabilities.

13 “(B) COMPUTER RELATED PERIPHERAL
14 EQUIPMENT.—The term ‘computer related pe-
15 ripheral equipment’ means any auxiliary ma-
16 chine or other equipment (whether on-line or
17 off-line) which is designed to be placed under
18 the control of the central processing unit of a
19 computer (as determined without regard to
20 whether such machine or equipment is an inte-
21 gral part of other property which is not a com-
22 puter).

23 “(C) COMPUTER BASED MACHINERY.—The
24 term ‘computer based machinery’ means any
25 machine which—

1 “(i) cuts, forms, shapes, drills, bores,
2 mixes, paints, seals, welds, or otherwise
3 transforms material, or

4 “(ii) handles, conveys, assembles, or
5 packages materials or products,

6 by responding to electronically stored informa-
7 tion and programmed commands.

8 “(D) ELECTRONIC DIAGNOSTIC EQUIP-
9 MENT.—The term ‘electronic diagnostic equip-
10 ment’ means equipment that uses electronic
11 components to sense or monitor location, size,
12 volume, surface characteristics, pressure, tem-
13 perature, speed, chemical composition, or other
14 similar characteristics.

15 “(E) ELECTRONIC CONTROL EQUIP-
16 MENT.—The term ‘electronic control equipment’
17 means equipment that electronically controls
18 pressure, temperature, size, volume, composi-
19 tion purity or other similar characteristics.

20 “(F) HIGH TECHNOLOGY MEDICAL EQUIP-
21 MENT.—The term ‘high technology medical
22 equipment’ means any electronic,
23 electromechanical, or computer-based high tech-
24 nology equipment used in the screening, moni-
25 toring, observation, diagnosis, or treatment of

1 patients in a laboratory, medical, or hospital en-
2 vironment.

3 “(G) ADVANCED TECHNOLOGY COMMU-
4 NICATIONS EQUIPMENT.—The term ‘advanced
5 technology communications equipment’ means
6 equipment used in the transmission or reception
7 of voice, data, video, paging, messaging, or
8 other communications services that are deliv-
9 ered using packet technology. A packet is a unit
10 of data, or sequence of binary digits, that is
11 routed between an origin and a destination on
12 a packet-switched network.

13 “(H) OPTICAL FIBER AND PHOTONICS
14 EQUIPMENT.—The term ‘optical fiber and
15 photonics equipment’ means optical fiber and
16 the equipment and materials used to generate,
17 manipulate and direct light particles over such
18 fiber.

19 “(I) ADVANCED ENVIRONMENTAL PROD-
20 UCTS.—The term ‘advanced environmental
21 product’ means any high cell density ceramic or
22 other device used for the control of nitrogen
23 oxide and particulate emissions.

24 “(J) ADVANCED LIFE SCIENCES PROD-
25 UCTS.—The term ‘advanced life sciences prod-

1 uct’ means any polymer, ceramic or high-purity
2 glass product used in biological research.

3 “(K) NEW HIGH PRODUCTIVITY ASSETS.—

4 “(i) IN GENERAL.—The term ‘new
5 high productivity assets’ means any asset
6 utilizing 1 or more technological or sci-
7 entific processes which were not in com-
8 mon commercial use before January 1,
9 2001.

10 “(ii) DETERMINATIONS.—The Sec-
11 retary shall establish procedures pursuant
12 to which taxpayers can seek a public ruling
13 that a particular class of assets qualifies as
14 new high productivity assets. The proce-
15 dures shall require the Secretary to provide
16 a determination within 90 days of receipt
17 of a properly completed request for a pub-
18 lic ruling.

19 “(3) EXCLUDED PROPERTY.—The term ‘high
20 productivity property’ shall not include—

21 “(A) an entire car, locomotive, aircraft,
22 ship or other vehicle solely because the vehicle
23 is controlled in whole or part by a computer or
24 other electronic equipment,

1 “(B) any equipment of a kind used pri-
2 marily for entertainment or amusement of the
3 user, and

4 “(C) typewriters, calculators, copiers, du-
5 plication equipment, and other similar equip-
6 ment.

7 “(c) ELECTION.— An election under this section for
8 any taxable year shall—

9 “(1) be made on an asset by asset basis, and

10 “(2) be made on the taxpayer’s return of the
11 tax imposed by this chapter for the taxable year.

12 “(d) SPECIAL RULES.—

13 “(1) COST.—For purposes of this section, the
14 cost of property does not include so much of the
15 basis of such property as is determined by reference
16 to the basis of other property held at any time by
17 the person acquiring such property.

18 “(2) ANTICHURNING RULES.—

19 “(A) IN GENERAL.—The antichurning
20 rules of section 168A(f)(5) shall apply to this
21 section.

22 “(B) SPECIAL RULE.—For purposes of
23 apply the antichurning rules of section
24 168A(f)(5) to this section, assets to which this
25 section may apply but for such rule shall be

1 treated as having a recovery period for of 1
2 year.

3 “(3) RECAPTURE IN CERTAIN CASES.—The
4 Secretary shall, by regulations, provide for the re-
5 capturing the benefit under any deduction allowable
6 under subsection (a) with respect to any property
7 which is not used predominantly in a trade or busi-
8 ness at any time.

9 “(4) ALTERNATIVE DEPRECIATION SYSTEM AP-
10 PLIES.—The election under subsection (a) may not
11 be made with respect to property which at any time
12 during the taxable year in which such property is
13 placed in service is—

14 “(A) described in paragraph (1) of section
15 168A(g) or

16 “(B) ‘listed property’ ‘not predominantly
17 used in a qualified business use’ as such terms
18 apply for purposes of paragraph (1) of
19 280F(b).”.

20 (b) CONFORMING AMENDMENT.—The table of sec-
21 tions for part VI of subchapter B of chapter 1 is amended
22 by adding after section 168 the following new items:

 “Sec. 168A. Rapid cost recovery system.

 “Sec. 168B. High productivity investment deduction.”

1 **SEC. 4. REPEAL OF MACRS.**

2 (a) IN GENERAL.—Section 168 is amended by insert-
3 ing at the end thereof the following new subsection:

4 “(k) REPEAL OF MACRS.—This section shall apply
5 to property placed in service after December 31, 2001,
6 only to the extent provided in section 168A.”

7 **SEC. 5. MODIFICATIONS TO ALTERNATIVE MINIMUM TAX.**

8 (a) REPEAL OF DEPRECIATION PREFERENCE.—Sub-
9 paragraph (A) of section 56(a)(1) is amended to read as
10 follows:

11 “(A) PRE-2002 PROPERTY.—

12 “(i) CERTAIN PROPERTY PLACED IN
13 SERVICE BEFORE 1999.—Except as pro-
14 vided in clause (iv), the depreciation deduc-
15 tion allowable under section 167 with re-
16 spect to any tangible property placed in
17 service after December 31, 1986, and be-
18 fore January 1, 1999, shall be determined
19 under the alternative system of section
20 168(g) but using the method of deprecia-
21 tion described in clause (iii).

22 “(ii) CERTAIN PROPERTY PLACED IN
23 SERVICE BEFORE 2002.—Except as pro-
24 vided in clause (iv), the method of depre-
25 ciation described in clause (iii) shall be
26 used to determine the depreciation deduc-

1 tion allowable under section 167 with re-
2 spect to—

3 “(I) any tangible property placed
4 in service after December 31, 1998,
5 and before January 1, 2002, and

6 “(II) any property to which sec-
7 tion 168A(f)(5) applies.

8 “(iii) 150-percent declining balance
9 method for certain property.—Except as
10 provided in clause (iv), the method of de-
11 preciation used to determine depreciation
12 deductions under clauses (i) and (ii) shall
13 be—

14 “(I) the 150 percent declining
15 balance method,

16 “(II) switching to the straight
17 line method for the 1st taxable year
18 for which using the straight line
19 method with respect to the adjusted
20 basis as of the beginning of the year
21 will yield a higher allowance.

22 “(iv) PROPERTY DEPRECIATED ON
23 THE STRAIGHT LINE BASIS.—The method
24 of depreciation used to determine the de-
25 preciation deductions under clauses (i) and

1 (ii) shall be the straight line method in the
2 case of—

3 “(I) section 1250 property (as
4 defined in section 1250(c)), and

5 “(II) other property if the depre-
6 ciation deduction determined under
7 section 168 with respect to such other
8 property for purposes of the regular
9 tax is determined using the straight
10 line method.”

11 (b) REPEAL OF DEPRECIATION DEDUCTION FOR AD-
12 JUSTED CURRENT EARNINGS.—Clause (i) of section
13 56(g)(4)(A) (relating to the depreciation deduction for
14 purposes of computing adjusted current earnings) is
15 amended to read as follows:

16 “(i) PROPERTY PLACED IN SERVICE
17 AFTER 1989.—

18 “(I) PROPERTY PLACED IN SERV-
19 ICE BEFORE 1994.—The depreciation
20 deduction with respect to any property
21 placed in service before January 1,
22 1994, in a taxable year beginning
23 after 1989 shall be determined under
24 the alternative system of section
25 168(g).

1 “(II) PROPERTY PLACED IN
2 SERVICE BEFORE 2002.—The depre-
3 ciation deduction with respect to any
4 property placed in service after De-
5 cember 31, 1993, and before January
6 1, 2002 shall be determined under the
7 rules of subparagraph (A) of sub-
8 section (a)(1).

9 “(III) PROPERTY PLACED IN
10 SERVICE AFTER 2001.—The deprecia-
11 tion deduction with respect to any
12 property placed in service after De-
13 cember 31, 2001, shall be the depre-
14 ciation deduction determined with re-
15 spect to such property for purposes of
16 the regular tax.

17 “(IV) ANTICHURNING RULE.—
18 For purposes of this clause, property
19 which section 168A(f)(5) applies shall
20 be treated as described in subclause
21 (III).”

22 (c) TECHNICAL AMENDMENTS.—Section 56(a)(5)
23 (relating to minimum tax depreciation for pollution control
24 equipment) is amended by striking “section 168 using the
25 straight line method.” and inserting “section 168A(a).”.

1 **SEC. 6. CONFORMING AMENDMENTS.**

2 (a) REFERENCES TO DEPRECIATION ALLOWABLE
3 UNDER SECTION 168.—The Code is amended by striking
4 “168” and inserting “168 or 168A” in the following
5 places:

6 (1) Section 47(c)(2)(A)(i).

7 (2) Section 280F(a)(1)(B)(iv).

8 (3) Section 280F(a)(2)(B).

9 (4) Section 280F(d)(1).

10 (5) Section 312(k)(3)(A).

11 (6) Section 381(c)(6).

12 (7) Section 936(i)(4)(B).

13 (8) Section 1250(b)(5)(A).

14 (9) Section 1250(b)(5)(B).

15 (10) Section 1397C(a)(1).

16 (b) AMENDMENTS TO REFLECT EXPENSING.—

17 (1) The Code is amended by striking “179”
18 and inserting “168B or 179” in the following places:

19 (A) Section 179A(e)(5).

20 (B) Section 280F(d)(1), including the title
21 of such paragraph.

22 (C) Section 1397C(a)(1).

23 (2) Paragraph (1) of section 263 is amended by
24 striking “; or” at the end of subparagraph (G) and
25 inserting a comma, by striking the period at the end
26 of subparagraph (H) and inserting “, or”, and by in-

1 serting at the end of the paragraph the following
2 new subparagraph:

3 “(I) expenditures for which a deduction is
4 allowed under section 168B.”

5 (3) Section 312(k) is amended by striking “179
6 or 179A” each place that it appears (including the
7 subsection title) and inserting “168B, 179 or
8 179A”.

9 (4) Section 1245(a)(2)(C) is amended by strik-
10 ing “179” and inserting “168B, 179”.

11 (c) CHANGES TO OTHER REFERENCES TO SECTION
12 168.—

13 (1) Section 47(c)(2)(B)(i) (relating to the use
14 of the straight line method for rehabilitation prop-
15 erty) is amended by inserting “or section
16 168A(b)(5)(A)” after “168” and before the period.

17 (2) Section 47(c)(2)(B)(vi) (relating to exclu-
18 sions from qualified rehabilitation property) is
19 amended by striking “168(c)” and inserting in lieu
20 thereof “168A(e)”.

21 (3) Section 142(i)(2)(A) (relating to tax-exempt
22 bond financing of high speed intercity rail facilities)
23 is amended by striking “167 or 168,” and inserting
24 in lieu thereof “167, 168, 168A or 168B,”.

1 (4) Section 167(b) (relating to cross references
2 for depreciation provisions) is amended by inserting
3 at the end thereof: “For determination of deprecia-
4 tion deduction in case of property to which section
5 168A applies, see section 168A.”.

6 (5) Section 179(d)(1) (relating to property eli-
7 gible for expensing) is amended by striking “168”
8 and inserting in lieu thereof “168A”.

9 (6) Section 280F(b)(1) (relating to the use of
10 the alternate depreciation system for personal use
11 property not predominantly used in a qualified busi-
12 ness use) is amended by striking “168” and insert-
13 ing in lieu thereof “168A”.

14 (7) Section 291(c)(1) (relating to the corporate
15 preference item for pollution control facilities) is
16 amended by striking “168” and inserting in lieu
17 thereof “168A”.

18 (8) Clauses (i), (ii), (iii) and (iv) of section
19 936(i)(4)(B) (relating to the possessions tax credit)
20 are amended by striking “168” each place that it
21 appears and inserting in lieu thereof “168A”.

22 (9) Section 467(e)(3)(B) is amended to read as
23 follows:

24 “(B) SPECIAL RULE FOR PROPERTY NOT
25 DEPRECIABLE UNDER SECTION 168 OR 168A.—

1 In the case of property to which section 168 or
2 168A does not apply, subparagraph (A) shall be
3 applied as if section 168A applies to such prop-
4 erty.”

5 (d) OTHER CONFORMING AMENDMENTS.—

6 (1) Section 936(i)(4)(B)(i) is amended by in-
7 serting “high productivity property,” before “3-year
8 property”.

9 (2) Section 936(i)(4)(B) is amended by striking
10 out clause (v) thereof.

11 **SEC. 7. MODIFIED CLASS LIFE.**

12 (a) TABLE OF MODIFIED CLASS LIVES.—

13 (1) IN GENERAL.—The Secretary shall pre-
14 scribe a table showing classes of property and the
15 modified class life of each class of property. The ini-
16 tial table prescribed by such Secretary shall be based
17 on the schedule in subsection (b) with such changes
18 in the description of classes of property as the Sec-
19 retary deems appropriate, including the consolida-
20 tion of similar classes with identical modified class
21 lives.

22 (2) NEW TYPES OF PROPERTY.—If the Sec-
23 retary identifies classes of property that are not de-
24 scribed in the schedule in subsection (b), the Sec-
25 retary shall modify the schedule described in para-

1 graph (1) by adding a new modified asset class for
2 such classes of property. If the Secretary determines
3 that any existing class of property includes assets
4 with distinctly different characteristics, the Sec-
5 retary may divide such class into 2 or more modified
6 asset classes. The modified class life for any class
7 established pursuant to this paragraph shall be the
8 same as the modified class life for other classes
9 which include assets with characteristics similar to
10 those of the assets in the new class.

11 (3) CHANGES IN LIVES OF PROPERTY.—

12 (A) DECREASE IN MODIFIED CLASS
13 LIFE.—Upon petition from persons who place
14 in service assets in a particular modified asset
15 class, the Secretary shall examine whether the
16 modified class life for such class is too long (as
17 determined by comparing the modified class life
18 with the modified class life for modified asset
19 classes for assets which have characteristics
20 similar to those of the assets in the class being
21 examined). If the Secretary finds that the modi-
22 fied class life for the examined class is too long,
23 he shall promptly prescribe a new modified
24 class life for the class.

1 (B) INCREASE IN MODIFIED CLASS LIFE.—

2 If the Secretary determines that potentially
3 abusive transactions are occurring because the
4 modified class life of an asset class is shorter
5 than it should be (as measured by the stand-
6 ards set in subparagraph (A)), the Secretary
7 may prescribe a new modified class life for such
8 class after a period of notice and comment. In
9 no other case shall the Secretary increase the
10 modified class life of a class.

11 (b) TENTATIVE SCHEDULE.—

12 (1) IN GENERAL.—This subsection includes a
13 schedule of classes of assets and the modified class
14 life of each class of assets. The schedule shall form
15 the basis for the table to be prescribed by the Sec-
16 retary pursuant to subsection (a).

17 (2) DESCRIPTION OF ASSETS CLASSES.—For
18 purposes of applying the schedule under this
19 subsection—

20 (A) MACRS CLASS.—If an asset class is
21 described in this subsection by reference to a
22 MACRS asset class, such asset class is the
23 asset class described in Internal Revenue Serv-
24 ice Revenue Procedure 87-56, as modified or

1 supplemented through the date of the enact-
 2 ment of this Act.

3 (B) ASSET DESCRIBED IN TWO CLASSES.—

4 If an asset is described in two classes and one
 5 of the classes is under the heading “Assets
 6 Used in All Business Activities,” the asset shall
 7 be classified in the asset class under such head-
 8 ing. If an asset class is described in two asset
 9 classes and one class has a specific description
 10 and the other class has a reference to a
 11 MACRS asset class, the asset shall be classified
 12 in the asset class with the specific description.

13 (3) MODIFIED CLASS LIFE SCHEDULE.—The
 14 modified class life schedule is as follows:

<i>Assets class and description of assets included</i>	<i>Modified class life (yrs)</i>
Assets Used in All Business Activities:	
1.11 Office furniture, fixtures and equipment (MACRS class 00.11)	5
1.12 Information systems (MACRS class 00.12)	3
1.13 Data handling equipment, except computers (MACRS class 00.13)	5
1.21 Noncommercial airplanes (MACRS class 00.21)	5
1.22 Automobiles, Taxis (MACRS class 00.22)	3
1.23 Buses (MACRS class 00.23)	5
1.24 Light general purpose trucks (MACRS class 00.241)	5
1.25 Heavy general purpose trucks (MACRS class 00.242)	5
1.26 Railroad cars and locomotives (MACRS class 00.25)	5
1.27 Tractor units for over-the-road use (MACRS class 00.26)	3
1.28 Trailers and trailer mounted containers (MACRS class 00.27)	5
1.29 Vessels, barges, etc. (MACRS class 00.28)	10
1.31 Land improvements (MACRS class 00.3)	15
1.41 Industrial steam and electric generation and/or distribution systems (MACRS class 00.4)	15
Assets Used in the Following Activity Categories:	
2 Agriculture:	
2.1 Agriculture general (MACRS class 01.1)	5
2.2 Cotton ginning assets (MACRS class 01.11)	5

<i>Assets class and description of assets included</i>	<i>Modified class life (yrs)</i>
2.3 Cattle breeding or dairy (MACRS class 01.21)	3
2.4 Young breeding work horse (MACRS class 01.221) ..	5
2.5 Old breeding work horse (MACRS class 01.222)	5
2.6 Young race horse (MACRS class 01.223)	3
2.7 Old race horse (MACRS class 01.224)	3
2.8 Other race horse (MACRS class 01.225)	5
2.9 Hogs, breeding (MACRS class 01.23)	3
2.10 Sheep & goats, breeding (MACRS class 01.24)	3
2.11 Farm buildings except structures (MACRS class 01.3)	15
2.12 Single purpose agricultural and horticultural struc- tures (MACRS class 01.4)	10
2.13 Tree or vine bearing fruit or nuts (any tree or vine bearing fruits or nuts)	5
3 Mining (MACRS class 10.0)	5
4 Oil and Gas:	
4.1 Offshore drilling (MACRS class 13.0)	3
4.2 Drilling of oil and gas wells (MACRS class 13.1)	3
4.3 Exploration for and production of petroleum and nat- ural gas deposits (MACRS class 13.2)	5
4.4 Petroleum refining (MACRS class 13.3)	3
5 Construction (MACRS class 15.0)	3
6 Manufacture of Food Products:	
6.1 Manufacture of grain and grain mill products (MACRS class 20.1)	5
6.2 Manufacture of sugar and sugar products (MACRS class 20.2)	5
6.3 Manufacture of vegetable oil and vegetable oil prod- ucts (MACRS class 20.3)	5
6.4 Manufacture of food and other kindred products (MACRS class 20.4)	5
6.5 Manufacture of food and beverages—special handling devices (MACRS class 20.5)	3
7 Manufacture of tobacco and tobacco products (MACRS class 21.0)	5
8 Manufacture of yarn, fabrics, carpets, and apparel:	
8.1 Manufacture of knitted goods (MACRS class 22.1) ...	3
8.2 Manufacture of yarn, thread, and woven fabric (MACRS class 22.2)	5
8.3 Manufacture of carpets and dyeing, finishing and packaging of textile products (MACRS class 22.3, other than assets used in the production of medical and dental supplies)	3
8.4 Manufacture of textured yarns (MACRS class 22.4)	3
8.5 Manufacture of nonwoven fabrics (MACRS class 22.5)	5
8.6 Manufacture of apparel (MACRS class 23.0)	3
9 Manufacture of drugs, medical and dental supplies:	
9.1 Manufacture of drugs	3
9.2 Manufacture of medical and dental supplies (assets used in the production of medical and dental supplies other than drugs and medicines [part of MACRS class 22.3])	3

<i>Assets class and description of assets included</i>	<i>Modified class life (yrs)</i>
10 Timber and manufacture of wood products:	
10.1 Cutting of timber (MACRS class 24.1)	3
10.2 Sawing of dimensional stock from logs—permanent (MACRS class 24.2)	5
10.3 Sawing of dimensional stock from logs—temporary (MACRS class 24.3)	3
10.4 Manufacture of wood products and furniture (MACRS class 24.4)	5
10.5 Manufacture of pulp and paper (MACRS class 26.1)	5
10.6 Manufacture of converted paper, paperboard, and pulp products	5
11 Printing, publishing and allied industries (MACRS class 27.0)	5
12 Manufacture of chemicals, rubber products and plastics:	
12.1 Manufacture of chemicals and allied products (MACRS class 28.0)	3
12.2 Manufacture of rubber products (MACRS class 30.1)	5
12.3 Manufacture of rubber products—special tools and devices (MACRS class 30.11)	3
12.4 Manufacture of finished plastic products (MACRS class 30.2)	5
12.5 Manufacture of finished plastic products—special tools (MACRS class 30.21)	3
13 Manufacture of leather and leather products (MACRS class 31.0)	5
14 Manufacture of products from sand and stone:	
14.1 Manufacture of glass products (MACRS class 32.1)	5
14.2 Manufacture of glass products—special tools (MACRS class 32.11)	3
14.3 Manufacture of cement (MACRS class 32.2)	10
14.4 Manufacture of other stone and clay products (MACRS class 32.3)	5
15 Manufacture of metals and metal products:	
15.1 Manufacture of primary nonferrous metals (MACRS class 33.2)	5
15.2 Manufacture of primary nonferrous metals—special tools (MACRS class 33.21)	3
15.3 Manufacture of foundry products (MACRS class 33.3)	5
15.4 Manufacture of primary steel mill products (MACRS class 33.4)	5
15.5 Manufacture of fabricated metal products (MACRS class 34.0)	5
15.6 Manufacture of fabricated metal products—special tools (MACRS class 34.01)	3
16 Manufacture of electrical and nonelectrical machinery and other mechanical products (MACRS class 35.0)	5
17 Manufacture of electronic components and engines:	
17.1 Manufacture of electronic components, products and systems (MACRS class 36.0)	3
17.2 Manufacture of semiconductors (MACRS class 36.1)	3

<i>Assets class and description of assets included</i>	<i>Modified class life (yrs)</i>
17.3 Manufacture of electronic internal combustion and turbine engines (includes all manufacturing and assembly assets used in the manufacture and assembly of electronic internal combustion and turbine engines greater than 50 horsepower and replacement parts. Excludes buildings and structural components)	3
18 Manufacture of transportation products:	
18.1 Manufacture of motor vehicles (MACRS class 37.11)	5
18.2 Manufacture of motor vehicles—special tools (MACRS class 37.12)	3
18.3 Manufacture of aerospace products (MACRS class 37.2)	5
18.4 Ship and boat building machinery and equipment (MACRS class 37.31)	5
18.5 Ship and boat building dry docks and land improvements (MACRS class 37.32)	10
18.6 Ship and boat building—special tools (MACRS class 37.33)	5
18.7 Manufacture of locomotives (MACRS class 37.41) ..	5
18.8 Manufacture of railroad cars (MACRS class 37.42)	5
19 Manufacture of personal and recreational products (MACRS class 39.0)	5
20 Railroad operations:	
20.1 Railroad machinery and equipment (MACRS class 40.1)	5
20.2 Railroad structures and similar improvements (MACRS class 40.2)	15
20.3 Railroad wharves and docks (MACRS class 40.3) ...	15
20.4 Railroad track (MACRS class 40.4)	5
20.5 Railroad hydraulic electric generating equipment (MACRS class 40.51)	15
20.6 Railroad nuclear generating equipment (MACRS class 40.52)	15
20.7 Railroad steam electric generating equipment (MACRS class 40.53)	15
20.8 Railroad steam, compressed air and other plant equipment (MACRS class 40.54)	15
21 Motor transport:	
21.1 Motor transport-passengers (MACRS class 41.0)	5
21.2 Motor transport-freight (MACRS class 42.0)	5
22 Water transportation (MACRS class 44.0)	15
23 Air transport:	
23.1 Air transport-general (MACRS class 45.0)	5
23.2 Air transport (restricted) (MACRS class 45.1)	5
24 Pipeline transportation (MACRS class 46.0)	15
25 Telephone communications:	
25.1 Telephone central office buildings (MACRS class 48.11)	10
25.2 Telephone central office equipment (MACRS class 48.12)	5
25.3 Computer-based telephone central office switching equipment (MACRS class 48.121)	3
25.4 Telephone station equipment (MACRS class 48.13)	5

<i>Assets class and description of assets included</i>	<i>Modified class life (yrs)</i>
25.5 Telephone distribution plant (MACRS class 48.14)	5
25.6 Advanced technology communications equipment (section 168B(b)(2)(G))	3
26 Radio and television broadcasting (MACRS class 48.2)	3
27 Telegraph, ocean cable and satellite communications:	
27.1 Electric power generating and distribution systems (MACRS class 48.31)	10
27.2 High frequency radio and microwave systems (MACRS class 48.32)	5
27.3 Cable and long-line systems (MACRS class 48.33)	10
27.4 Central office control equipment (MACRS class 48.34)	5
27.5 Computerized switching, channeling and associated control equipment (MACRS class 48.35)	5
27.6 Satellite ground segment property (MACRS class 48.36)	5
27.7 Satellite space segment property (MACRS class 48.37)	3
27.8 Equipment installed on customer's premises (MACRS class 48.38)	5
27.9 Support and service equipment (MACRS class 48.39)	5
28 Cable television:	
28.1 Headend (48.41)	5
28.2 Subscriber connection and distribution systems (MACRS class 48.42)	5
28.3 Program origination (MACRS class 48.43)	3
28.4 Service and test (MACRS class 48.44)	3
28.5 Microwave system (MACRS class 48.45)	3
29 Electric services:	
29.1 Electric utility hydraulic production plant (MACRS class 49.11)	7
29.2 Electric utility nuclear production plant (MACRS class 49.12)	7
29.3 Electric utility fuel assemblies (MACRS class 49.121)	3
29.4 Electric utility steam production plant (MACRS class 49.13)	7
29.5 Electric utility transmission and distribution plant (MACRS class 49.14)	10
29.6 Electric utility combustion turbine production plant (MACRS class 49.15)	7
30 Gas distribution:	
30.1 Gas utility distribution facilities (MACRS class 49.21)	15
30.2 Gas utility manufactured gas production plants (MACRS class 49.221)	15
30.3 Gas utility substitute natural gas production plant (MACRS class 49.222)	5
30.4 Substitute natural gas-coal gasification (MACRS class 49.223)	5
30.5 Natural gas production plant (MACRS class 49.23)	5
30.6 Gas utility truck pipelines and related storage faci- ties (MACRS class 49.24)	15

<i>Assets class and description of assets included</i>	<i>Modified class life (yrs)</i>
30.7 Liquefied natural gas plant (MACRS class 49.25) ..	15
31 Water and steam distribution:	
31.1 Water utilities (MACRS class 49.3)	15
31.2 Central steam utility production and distribution (MACRS class 49.4)	15
32 Waste and sewage facilities:	
32.1 Waste reduction and resource recovery plants (MACRS class 49.5)	5
32.2 Municipal wastewater treatment plant (MACRS class 50)	15
32.3 Municipal sewer (MACRS class 51)	15
33 Wholesale and retail trade:	
33.1 Distributive trades and services (MACRS class 57.0)	3
33.2 Distributive trade and services—section 1250 assets (MACRS class 57.1; includes retail motor fuel outlets (whether or not food or other convenience items are sold at the outlet)	15
33.3 Rent to own property (qualified rent to own prop- erty as defined in section 168(i)(13))	3
34 Recreation:	
34.1 Recreation (MACRS class 79.0)	5
34.2 Themes and amusement parks (MACRS class 80.0)	5
Special Assets (even if listed above):	
35 Alternate energy assets:	
35.1 Property described in section 48(a)(3)(A) (or would be so described if ‘solar and wind’ were substituted for ‘solar’ in clause (i) thereof) determined without regard to whether the property is public utility property	3
35.2 Biomass property (biomass property described in section 48(l)(15) (as in effect on the day before the date of enactment of the Revenue Reconciliation Act of 1990) that is a qualifying small production facility with the meaning of section 3(17)(e) of the Federal Power Act (16 U.S.C. 796(17)(C)) as in effect on September 1, 1986	3
35.3 Assets described in section 48(l)(3)(A)(ix) (as in ef- fect on the day before the enactment of the Revenue Reconciliation Act of 1990)	3
36 Research and experimentation assets:	
36.1 Property used in connection with research and ex- perimentation referred to in section 168(e)(3)(B) (as de- termined without regard to section 168(k))	3
Section 1245 assets not described above	5

1 SEC. 8. TRANSITION RULES AND EFFECTIVE DATE.

2 (a) EFFECTIVE DATE.—The amendments made by
3 this Act shall be effective for property placed in service

1 on or after January 1, 2002, with respect to taxable years
2 beginning on or after or including such date.

3 (b) SURVIVAL OF TRANSITION RULES.—The rephras-
4 ing or relabeling of any provision of the Internal Revenue
5 Code of 1986 that occurs by reason of this Act shall not
6 operate to abrogate or limit any transitional rule or excep-
7 tion applicable to the provision that was rephrased.

○