

113TH CONGRESS
2^D SESSION

H. R. 4718

AN ACT

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,*

1 **SECTION 1. BONUS DEPRECIATION MODIFIED AND MADE**
2 **PERMANENT.**

3 (a) **MADE PERMANENT; INCLUSION OF QUALIFIED**
4 **RETAIL IMPROVEMENT PROPERTY.**—Section 168(k)(2) of
5 the Internal Revenue Code of 1986 is amended to read
6 as follows:

7 “(2) **QUALIFIED PROPERTY.**—For purposes of
8 this subsection—

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

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

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

18 “(III) which is water utility property,

19 “(IV) which is qualified leasehold im-
20 provement property, or

21 “(V) which is qualified retail improve-
22 ment property, and

23 “(ii) the original use of which com-
24 mences with the taxpayer.

25 “(B) **EXCEPTION FOR ALTERNATIVE DE-**
26 **PRECIATION PROPERTY.**—The term ‘qualified

1 property' shall not include any property to
2 which the alternative depreciation system under
3 subsection (g) applies, determined—

4 “(i) without regard to paragraph (7)
5 of subsection (g) (relating to election to
6 have system apply), and

7 “(ii) after application of section
8 280F(b) (relating to listed property with
9 limited business use).

10 “(C) SPECIAL RULES.—

11 “(i) SALE-LEASEBACKS.—For pur-
12 poses of clause (ii) and subparagraph
13 (A)(ii), if property is—

14 “(I) originally placed in service
15 by a person, and

16 “(II) sold and leased back by
17 such person within 3 months after the
18 date such property was originally
19 placed in service,

20 such property shall be treated as originally
21 placed in service not earlier than the date
22 on which such property is used under the
23 leaseback referred to in subclause (II).

24 “(ii) SYNDICATION.—For purposes of
25 subparagraph (A)(ii), if—

1 “(I) property is originally placed
2 in service by the lessor of such prop-
3 erty,

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

17 “(III) the user of such property
18 after the last sale during such 3-
19 month period remains the same as
20 when such property was originally
21 placed in service,

22 such property shall be treated as originally
23 placed in service not earlier than the date
24 of such last sale.

1 “(D) COORDINATION WITH SECTION
2 280F.—For purposes of section 280F—

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

8 “(ii) LISTED PROPERTY.—The deduc-
9 tion allowable under paragraph (1) shall be
10 taken into account in computing any re-
11 capture amount under section 280F(b)(2).

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

17 “(I) such dollar amount, multi-
18 plied by

19 “(II) the automobile price infla-
20 tion adjustment determined under sec-
21 tion 280F(d)(7)(B)(i) for the calendar
22 year in which such taxable year begins
23 by substituting ‘2013’ for ‘1987’ in
24 subclause (II) thereof.

1 If any increase under the preceding sen-
2 tence is not a multiple of \$100, such in-
3 crease shall be rounded to the nearest mul-
4 tiple of \$100.

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

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

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

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

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

22 “(ii) the applicable depreciation meth-
23 od used under this section with respect to
24 any qualified property shall be the straight
25 line method, and

1 “(iii) the limitation imposed by section
2 53(c) for such taxable year shall be in-
3 creased by the bonus depreciation amount
4 which is determined for such taxable year
5 under subparagraph (B).

6 “(B) BONUS DEPRECIATION AMOUNT.—

7 For purposes of this paragraph—

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

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

18 “(II) the aggregate amount of
19 depreciation which would be allowed
20 under this section for qualified prop-
21 erty placed in service by the taxpayer
22 during such taxable year if paragraph
23 (1) did not apply to any such prop-
24 erty.

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

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

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

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

22 “(iii) AGGREGATION RULE.—All cor-
23 porations which are treated as a single em-
24 ployer under section 52(a) shall be treat-
25 ed—

1 “(I) as 1 taxpayer for purposes
2 of this paragraph, and

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

6 “(C) CREDIT REFUNDABLE.—For pur-
7 poses of section 6401(b), the aggregate increase
8 in the credits allowable under part IV of sub-
9 chapter A for any taxable year resulting from
10 the application of this paragraph shall be treat-
11 ed as allowed under subpart C of such part
12 (and not any other subpart).

13 “(D) OTHER RULES.—

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

17 “(ii) PARTNERSHIPS WITH ELECTING
18 PARTNERS.—In the case of a corporation
19 which is a partner in a partnership and
20 which makes an election under subpara-
21 graph (A) for the taxable year, for pur-
22 poses of determining such corporation’s
23 distributive share of partnership items
24 under section 702 for such taxable year—

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

4 “(II) the applicable depreciation
5 method used under this section with
6 respect to any qualified property shall
7 be the straight line method.

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

23 (c) SPECIAL RULES FOR TREES AND VINES BEARING
24 FRUITS AND NUTS.—Section 168(k) of such Code is
25 amended—

1 (1) by striking paragraph (5), and
2 (2) by inserting after paragraph (4) the fol-
3 lowing new paragraph:

4 “(5) SPECIAL RULES FOR TREES AND VINES
5 BEARING FRUITS AND NUTS.—

6 “(A) IN GENERAL.—In the case of any
7 tree or vine bearing fruits or nuts which is
8 planted, or is grafted to a plant that has al-
9 ready been planted, by the taxpayer in the ordi-
10 nary course of the taxpayer’s farming business
11 (as defined in section 263A(e)(4))—

12 “(i) a depreciation deduction equal to
13 50 percent of the adjusted basis of such
14 tree or vine shall be allowed under section
15 167(a) for the taxable year in which such
16 tree or vine is so planted or grafted, and

17 “(ii) the adjusted basis of such tree or
18 vine shall be reduced by the amount of
19 such deduction.

20 “(B) ELECTION OUT.—If a taxpayer
21 makes an election under this subparagraph for
22 any taxable year, this paragraph shall not apply
23 to any tree or vine planted or grafted during
24 such taxable year. An election under this sub-

1 paragraph may be revoked only with the con-
2 sent of the Secretary.

3 “(C) ADDITIONAL DEPRECIATION MAY BE
4 CLAIMED ONLY ONCE.—If this paragraph ap-
5 plies to any tree or vine, such tree or vine shall
6 not be treated as qualified property in the tax-
7 able year in which placed in service.

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

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

19 (d) CONFORMING AMENDMENTS.—

20 (1) Section 168(e)(8) of such Code is amended
21 by striking subparagraph (D).

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

24 “(6) ELECTION OUT.—If a taxpayer makes an
25 election under this paragraph with respect to any

1 class of property for any taxable year, this sub-
2 section shall not apply to all property in such class
3 placed in service (or, in the case of paragraph (5),
4 planted or grafted) during such taxable year. An
5 election under this paragraph may be revoked only
6 with the consent of the Secretary.”.

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

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

12 “(7) COORDINATION WITH SECTION
13 168(k)(5).—This section shall not apply to any
14 amount allowable as a deduction by reason of section
15 168(k)(5) (relating to special rules for trees and
16 vines bearing fruits and nuts).”.

17 (5) Section 460(c)(6)(B) of such Code is
18 amended by striking “which—” and all that follows
19 and inserting “which has a recovery period of 7
20 years or less.”.

21 (6) Section 168(k) of such Code is amended by
22 striking “ACQUIRED AFTER DECEMBER 31, 2007,
23 AND BEFORE JANUARY 1, 2014” in the heading
24 thereof.

25 (e) EFFECTIVE DATES.—

1 (1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, the amendments made by
3 this section shall apply to property placed in service
4 after December 31, 2013.

5 (2) EXPANSION OF ELECTION TO ACCELERATE
6 AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

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

13 (B) TRANSITIONAL RULE.—In the case of
14 a taxable year beginning before January 1,
15 2014, and ending after December 31, 2013, the
16 bonus depreciation amount determined under
17 section 168(k)(4) of such Code for such year
18 shall be the sum of—

19 (i) such amount determined without
20 regard to the amendments made by this
21 section and—

22 (I) by taking into account only
23 property placed in service before Jan-
24 uary 1, 2014, and

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

10 (ii) such amount determined after
11 taking into account the amendments made
12 by this section and—

13 (I) by taking into account only
14 property placed in service after De-
15 cember 31, 2013, and

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

24 (3) SPECIAL RULES FOR CERTAIN TREES AND
25 VINES.—The amendment made by subsection (c)(2)

1 shall apply to trees and vines planted or grafted
2 after December 31, 2013.

3 **SEC. 2. BUDGETARY EFFECTS.**

4 (a) STATUTORY PAY-AS-YOU-GO SCORECARDS.—The
5 budgetary effects of this Act shall not be entered on either
6 PAYGO scorecard maintained pursuant to section 4(d) of
7 the Statutory Pay-As-You-Go Act of 2010.

8 (b) SENATE PAYGO SCORECARDS.—The budgetary
9 effects of this Act shall not be entered on any PAYGO
10 scorecard maintained for purposes of section 201 of S.
11 Con. Res. 21 (110th Congress).

Passed the House of Representatives July 11, 2014.

Attest:

Clerk.

113TH CONGRESS
2^D SESSION

H. R. 4718

AN ACT

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