I

114TH CONGRESS
1ST SESSION

H. R. 2510

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

IN THE HOUSE OF REPRESENTATIVES

MAY 21, 2015

Mr. TIBERI (for himself, Mr. SMITH of Missouri, Mr. BUCHANAN, Mr. KELLY of Pennsylvania, Mr. REED, Mr. NUNES, Mrs. BLACK, Mr. BRADY of Texas, Mr. REICHERT, Mr. MEEHAN, Mr. MARCHANT, Mr. YOUNG of Indiana, Mr. PAULSEN, Mr. RENACCI, Mrs. NOEM, Mr. DOLD, Mr. ROSKAM, Ms. JENKINS of Kansas, Mr. BOUSTANY, Mr. HOLDING, Ms. SINEMA, Mr. HUIZENGA of Michigan, Mr. WALBERG, and Mr. MOOLENAAR) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Budget, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

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

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. BONUS DEPRECIATION MODIFIED AND MADE PERMANENT.

(a) MADE PERMANENT; APPLICABLE TO QUALIFIED IMPROVEMENT PROPERTY.—

(1) IN GENERAL.—Section 168(k)(2) of the Internal Revenue Code of 1986 is amended to read as follows:

"(2) QUALIFIED PROPERTY.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified property' means property—

"(i)(I) to which this section applies which has a recovery period of 20 years or less,

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

"(III) which is water utility property, or

"(IV) which is qualified improvement property, and

"(ii) the original use of which commences with the taxpayer.

"(B) EXCEPTION FOR ALTERNATIVE DEPRECIATION PROPERTY.—The term 'qualified property' shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

"(i) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

"(ii) after application of section 280F(b) (relating to listed property with limited business use).

"(C) SPECIAL RULES.—

"(i) SALE-LEASEBACKS.—For purposes of clause (ii) and subparagraph (A)(ii), if property is—

"(I) originally placed in service by a person, and

"(II) sold and leased back by such person within 3 months after the date such property was originally placed in service,

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

"(ii) SYNDICATION.—For purposes of subparagraph (A)(ii), if—

"(I) property is originally placed in service by the lessor of such property, "(II) such property is sold by such lessor or any subsequent purchaser within 3 months after the date such property was originally placed in service (or, in the case of multiple units of property subject to the same lease, within 3 months after the date the final unit is placed in service, so long as the period between the time the first unit is placed in service and the time the last unit is placed in service does not exceed 12 months), and

"(III) the user of such property after the last sale during such 3-month period remains the same as when such property was originally placed in service,

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

"(D) COORDINATION WITH SECTION 280F.—For purposes of section 280F—

"(i) AUTOMOBILES.—In the case of a passenger automobile (as defined in section

280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by $8,000.

"(ii) LISTED PROPERTY.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).

"(iii) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in a calendar year after 2015, the $8,000 amount in clause (i) shall be increased by an amount equal to—

"(I) such dollar amount, multiplied by

"(II) the automobile price inflation adjustment determined under section 280F(d)(7)(B)(i) for the calendar year in which such taxable year begins by substituting '2014' for '1987' in subclause (II) thereof.

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

"(E) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—For purposes of determining alternative minimum taxable income under section 55, the deduction under section 167 for qualified property shall be determined without regard to any adjustment under section 56.".

(2) QUALIFIED IMPROVEMENT PROPERTY.—Section 168(k)(3) of such Code is amended to read as follows:

"(3) QUALIFIED IMPROVEMENT PROPERTY.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified improvement property' means any improvement to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

"(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator, or

"(iii) the internal structural framework of the building.".

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

"(4) ELECTION TO ACCELERATE AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

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

"(i) paragraphs (1) and (2)(D) shall not apply to any qualified property placed in service during such taxable year,

"(ii) the applicable depreciation method used under this section with respect to such property shall be the straight line method, and

"(iii) the limitation imposed by section 53(c) for such taxable year shall be increased by the bonus depreciation amount which is determined for such taxable year under subparagraph (B).

"(B) BONUS DEPRECIATION AMOUNT.—For purposes of this paragraph—

"(i) IN GENERAL.—The bonus depreciation amount for any taxable year is an amount equal to 20 percent of the excess (if any) of—

“(I) the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraph (1) applied to all such property (and, in the case of any such property which is a passenger automobile (as defined in section 280F(d)(5)), if paragraph (2)(D) applied to such automobile), over

“(II) the aggregate amount of depreciation which would be allowed under this section for qualified property placed in service by the taxpayer during such taxable year if paragraphs (1) and (2)(D) did not apply to any such property.

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

"(ii) LIMITATION.—The bonus depreciation amount for any taxable year shall not exceed the lesser of—

"(I) 50 percent of the minimum tax credit under section 53(b) for the first taxable year ending after December 31, 2014, or

"(II) the minimum tax credit under section 53(b) for such taxable year determined by taking into account only the adjusted net minimum tax for taxable years ending before January 1, 2015 (determined by treating credits as allowed on a first-in, first-out basis).

"(iii) AGGREGATION RULE.—All corporations which are treated as a single employer under section 52(a) shall be treated—

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

"(II) as having elected the application of this paragraph if any such corporation so elects.

"(C) CREDIT REFUNDABLE.—For purposes of section 6401(b), the aggregate increase in the credits allowable under part IV of subchapter A for any taxable year resulting from the application of this paragraph shall be treated as allowed under subpart C of such part (and not any other subpart).

"(D) OTHER RULES.—

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

"(ii) PARTNERSHIPS WITH ELECTING PARTNERS.—In the case of a corporation which is a partner in a partnership and which makes an election under subparagraph (A) for the taxable year, for purposes of determining such corporation's distributive share of partnership items under section 702 for such taxable year—

"(I) paragraphs (1) and (2)(D) shall not apply to any qualified property placed in service during such taxable year, and

"(II) the applicable depreciation method used under this section with respect to such property shall be the straight line method.

"(iii) CERTAIN PARTNERSHIPS.—In the case of a partnership in which more than 50 percent of the capital and profits interests are owned (directly or indirectly) at all times during the taxable year by 1 corporation (or by corporations treated as 1 taxpayer under subparagraph (B)(iii)), each partner shall compute its bonus depreciation amount under clause (i) of subparagraph (B) by taking into account its distributive share of the amounts determined by the partnership under subclauses (I) and (II) of such clause for the taxable year of the partnership ending with or within the taxable year of the partner.".

(c) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—Section 168(k) of such Code is amended—

(1) by striking paragraph (5), and

(2) by inserting after paragraph (4) the following new paragraph:

"(5) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—

"(A) IN GENERAL.—In the case of any specified plant which is planted, or is grafted to a plant that has already been planted, by the taxpayer in the ordinary course of the taxpayer's farming business (as defined in section 263A(e)(4)) during a taxable year for which the taxpayer has elected the application of this paragraph—

"(i) a depreciation deduction equal to 50 percent of the adjusted basis of such specified plant shall be allowed under section 167(a) for the taxable year in which such specified plant is so planted or grafted, and

"(ii) the adjusted basis of such specified plant shall be reduced by the amount of such deduction.

"(B) SPECIFIED PLANT.—For purposes of this paragraph, the term 'specified plant' means—

"(i) any tree or vine which bears fruits or nuts, and

"(ii) any other plant which will have more than one yield of fruits or nuts and which generally has a period of more than

2 years from the time of planting or grafting to the time at which such plant begins bearing fruits or nuts.

Such term shall not include any property which is planted or grafted outside of the United States.

"(C) ELECTION REVOCABLE ONLY WITH CONSENT.—An election under this paragraph may be revoked only with the consent of the Secretary.

"(D) ADDITIONAL DEPRECIATION MAY BE CLAIMED ONLY ONCE.—If this paragraph applies to any specified plant, such specified plant shall not be treated as qualified property in the taxable year in which placed in service.

"(E) DEDUCTION ALLOWED IN COMPUTING MINIMUM TAX.—Rules similar to the rules of paragraph (2)(E) shall apply for purposes of this paragraph.".

(d) CONFORMING AMENDMENTS.—

(1) Section 168(e)(6) of such Code is amended—

(A) by redesignating subparagraphs (A) and (B) as subparagraphs (D) and (E), respectively,

(B) by striking all that precedes subparagraph (D) (as so redesignated) and inserting the following:

"(6) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—For purposes of this subsection—

"(A) IN GENERAL.—The term 'qualified leasehold improvement property' means any improvement to an interior portion of a building which is nonresidential real property if—

"(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

"(I) by the lessee (or any sublessee) of such portion, or

"(II) by the lessor of such portion,

"(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

"(iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

"(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

"(i) the enlargement of the building,

"(ii) any elevator or escalator,

"(iii) any structural component benefitting a common area, or

"(iv) the internal structural framework of the building.

"(C) DEFINITIONS AND SPECIAL RULES.—For purposes of this paragraph—

"(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

"(ii) RELATED PERSONS.—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term 'related persons' means—

"(I) members of an affiliated group (as defined in section 1504), and

"(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase '80 percent or more' shall be substituted for the phrase 'more than 50 percent' each place it appears in such subsection.'', and

(C) by striking ''subparagraph (A)'' in subparagraph (E) (as so redesignated) and inserting ''subparagraph (D)''.

(2) Section 168(e)(7)(B) of such Code is amended by striking ''qualified leasehold improvement property'' and inserting ''qualified improvement property''.

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

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

''(6) ELECTION OUT.—If a taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, paragraphs (1) and (2)(D) shall not apply to any qualified property in such class placed in service during such taxable year. An election under this paragraph may be revoked only with the consent of the Secretary.''.

(5) Section 168(l)(3) of such Code is amended—

(A) by striking ‘‘section 168(k)’’ in subparagraph (A) and inserting ‘‘subsection (k)’’, and

(B) by striking ‘‘section 168(k)(2)(D)(i)’’ in subparagraph (B) and inserting ‘‘subsection (k)(2)(B)’’.

(6) Section 168(l)(4) of such Code is amended by striking ‘‘subparagraph (E) of section 168(k)(2)’’ and all that follows and inserting ‘‘subsection (k)(2)(C) shall apply.’’.

(7) Section 168(l)(5) of such Code is amended by striking ‘‘section 168(k)(2)(G)’’ and inserting ‘‘subsection (k)(2)(E)’’.

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

‘‘(7) COORDINATION WITH SECTION 168(k)(5).—This section shall not apply to any amount allowed as a deduction by reason of section 168(k)(5) (relating to special rules for certain plants bearing fruits and nuts).’’.

(9) Section 460(c)(6)(B) of such Code is amended by striking ‘‘which—’’ and all that follows

and inserting "which has a recovery period of 7 years or less.".

(10) Section 168(k) of such Code is amended by striking "ACQUIRED AFTER DECEMBER 31, 2007, AND BEFORE JANUARY 1, 2014" in the heading thereof.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this subsection shall apply to property placed in service after December 31, 2014, in taxable years ending after such date.

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

(A) IN GENERAL.—The amendment made by subsection (b) shall apply to taxable years ending after December 31, 2014.

(B) TRANSITIONAL RULE.—In the case of any taxable year beginning before January 1, 2015, and ending after December 31, 2014, the limitation under section 168(k)(4)(B)(ii) of the Internal Revenue Code of 1986 (as amended by this section) shall be the sum of—

(i) the product of—

(I) the maximum increase amount (within the meaning of section 168(k)(4)(C)(iii) of such Code, as in effect before the amendments made by this section), multiplied by

(II) a fraction the numerator of which is the number of days in the taxable year before January 1, 2015, and the denominator of which is the number of days in the taxable year, plus

(ii) the product of—

(I) such limitation (determined without regard to this subparagraph), multiplied by

(II) a fraction the numerator of which is the number of days in the taxable year after December 31, 2014, and the denominator of which is the number of days in the taxable year.

(3) SPECIAL RULES FOR CERTAIN PLANTS BEARING FRUITS AND NUTS.—The amendments made by subsection (c) (other than paragraph (1) thereof) shall apply to specified plants (as defined in section 168(k)(5)(B) of the Internal Revenue Code

of 1986, as amended by this section) planted or grafted after December 31, 2014.

SEC. 2. BUDGETARY EFFECTS.

The budgetary effects of this Act shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

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