

Union Calendar No. 240

114TH CONGRESS
1ST SESSION

H. R. 2510

[Report No. 114–317, Part I]

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

OCTOBER 28, 2015

Additional sponsors: Mr. SAM JOHNSON of Texas, Mr. BLUM, Mr. BOST, Mrs. WALORSKI, Mr. UPTON, Mr. BISHOP of Michigan, Mr. LOEBSACK, Mr. ABRAHAM, Mr. YOUNG of Iowa, Mr. TROTT, Mr. CARTER of Georgia, Mr. KNIGHT, Mr. GRAVES of Louisiana, Mr. POLIQUIN, Mr. VALADAO, Mr. EMMER of Minnesota, Mr. NEWHOUSE, Mr. KLINE, Mr. ROUZER, Mr. COSTELLO of Pennsylvania, Mr. NEUGEBAUER, Mr. ASHFORD, Mr. STIVERS, Mr. COFFMAN, Mrs. LAWRENCE, Mr. BYRNE, and Mr. CRAWFORD

OCTOBER 28, 2015

Reported from the Committee on Ways and Means with an amendment

[Strike out all after the enacting clause and insert the part printed in *italic*]

OCTOBER 28, 2015

The Committee on the Budget discharged; committed to the Committee of the Whole House on the State of the Union and ordered to be printed

[For text of introduced bill, see copy of bill as introduced on May 21, 2015]

A BILL

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,*

3 **SECTION 1. BONUS DEPRECIATION MODIFIED AND MADE**
 4 **PERMANENT.**

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

7 *(1) IN GENERAL.—Section 168(k)(2) of the Inter-*
 8 *nal Revenue Code of 1986 is amended to read as fol-*
 9 *lows:*

10 *“(2) QUALIFIED PROPERTY.—For purposes of*
 11 *this subsection—*

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

14 *“(i)(I) to which this section applies*
 15 *which has a recovery period of 20 years or*
 16 *less,*

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

21 *“(III) which is water utility property,*
 22 *or*

23 *“(IV) which is qualified improvement*
 24 *property, and*

1 “(ii) *the original use of which com-*
 2 *mences with the taxpayer.*

3 “(B) *EXCEPTION FOR ALTERNATIVE DEPRE-*
 4 *CIATION PROPERTY.—The term ‘qualified prop-*
 5 *erty’ shall not include any property to which the*
 6 *alternative depreciation system under subsection*
 7 *(g) applies, determined—*

8 “(i) *without regard to paragraph (7) of*
 9 *subsection (g) (relating to election to have*
 10 *system apply), and*

11 “(ii) *after application of section*
 12 *280F(b) (relating to listed property with*
 13 *limited business use).*

14 “(C) *SPECIAL RULES.—*

15 “(i) *SALE-LEASEBACKS.—For purposes*
 16 *of clause (ii) and subparagraph (A)(ii), if*
 17 *property is—*

18 “(I) *originally placed in service*
 19 *by a person, and*

20 “(II) *sold and leased back by such*
 21 *person within 3 months after the date*
 22 *such property was originally placed in*
 23 *service,*

24 *such property shall be treated as originally*
 25 *placed in service not earlier than the date*

1 *on which such property is used under the*
2 *leaseback referred to in subclause (II).*

3 “(ii) *SYNDICATION.—For purposes of*
4 *subparagraph (A)(ii), if—*

5 *“(I) property is originally placed*
6 *in service by the lessor of such prop-*
7 *erty,*

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

20 *“(III) the user of such property*
21 *after the last sale during such 3-month*
22 *period remains the same as when such*
23 *property was originally placed in serv-*
24 *ice,*

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

4 “(D) *COORDINATION WITH SECTION 280F.*—

5 *For purposes of section 280F—*

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

11 “(ii) *LISTED PROPERTY.*—*The deduc-*
12 *tion allowable under paragraph (1) shall be*
13 *taken into account in computing any recap-*
14 *ture amount under section 280F(b)(2).*

15 “(iii) *INFLATION ADJUSTMENT.*—*In*
16 *the case of any taxable year beginning in a*
17 *calendar year after 2015, the \$8,000*
18 *amount in clause (i) shall be increased by*
19 *an amount equal to—*

20 “(I) *such dollar amount, multi-*
21 *plied by*

22 “(II) *the automobile price infla-*
23 *tion adjustment determined under sec-*
24 *tion 280F(d)(7)(B)(i) for the calendar*
25 *year in which such taxable year begins*

1 by substituting ‘2014’ for ‘1987’ in
2 subclause (II) thereof.

3 If any increase under the preceding sentence
4 is not a multiple of \$100, such increase
5 shall be rounded to the nearest multiple of
6 \$100.

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

13 (2) QUALIFIED IMPROVEMENT PROPERTY.—Sec-
14 tion 168(k)(3) of such Code is amended to read as fol-
15 lows:

16 “(3) QUALIFIED IMPROVEMENT PROPERTY.—For
17 purposes of this subsection—

18 “(A) IN GENERAL.—The term ‘qualified im-
19 provement property’ means any improvement to
20 an interior portion of a building which is non-
21 residential real property if such improvement is
22 placed in service after the date such building was
23 first placed in service.

24 “(B) CERTAIN IMPROVEMENTS NOT IN-
25 CLUDED.—Such term shall not include any im-

1 *provement for which the expenditure is attrib-*
 2 *utable to—*

3 *“(i) the enlargement of the building,*

4 *“(ii) any elevator or escalator, or*

5 *“(iii) the internal structural frame-*
 6 *work of the building.”.*

7 *(b) EXPANSION OF ELECTION TO ACCELERATE AMT*
 8 *CREDITS IN LIEU OF BONUS DEPRECIATION.—Section*
 9 *168(k)(4) of such Code is amended to read as follows:*

10 *“(4) ELECTION TO ACCELERATE AMT CREDITS IN*
 11 *LIEU OF BONUS DEPRECIATION.—*

12 *“(A) IN GENERAL.—If a corporation elects*
 13 *to have this paragraph apply for any taxable*
 14 *year—*

15 *“(i) paragraphs (1) and (2)(D) shall*
 16 *not apply to any qualified property placed*
 17 *in service during such taxable year,*

18 *“(ii) the applicable depreciation meth-*
 19 *od used under this section with respect to*
 20 *such property shall be the straight line*
 21 *method, and*

22 *“(iii) the limitation imposed by section*
 23 *53(c) for such taxable year shall be in-*
 24 *creased by the bonus depreciation amount*

1 *which is determined for such taxable year*
2 *under subparagraph (B).*

3 “(B) *BONUS DEPRECIATION AMOUNT.—For*
4 *purposes of this paragraph—*

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

9 “(I) *the aggregate amount of de-*
10 *preciation which would be allowed*
11 *under this section for qualified prop-*
12 *erty placed in service by the taxpayer*
13 *during such taxable year if paragraph*
14 *(1) applied to all such property (and,*
15 *in the case of any such property which*
16 *is a passenger automobile (as defined*
17 *in section 280F(d)(5)), if paragraph*
18 *(2)(D) applied to such automobile),*
19 *over*

20 “(II) *the aggregate amount of de-*
21 *preciation which would be allowed*
22 *under this section for qualified prop-*
23 *erty placed in service by the taxpayer*
24 *during such taxable year if paragraphs*

1 (1) and (2)(D) did not apply to any
2 such property.

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

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

11 “(I) 50 percent of the minimum
12 tax credit under section 53(b) for the
13 first taxable year ending after Decem-
14 ber 31, 2014, or

15 “(II) the minimum tax credit
16 under section 53(b) for such taxable
17 year determined by taking into ac-
18 count only the adjusted net minimum
19 tax for taxable years ending before
20 January 1, 2015 (determined by treat-
21 ing credits as allowed on a first-in,
22 first-out basis).

23 “(iii) *AGGREGATION RULE.*—All cor-
24 porations which are treated as a single em-

1 *ployer under section 52(a) shall be treat-*
2 *ed—*

3 *“(I) as 1 taxpayer for purposes of*
4 *this paragraph, and*

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

8 *“(C) CREDIT REFUNDABLE.—For purposes*
9 *of section 6401(b), the aggregate increase in the*
10 *credits allowable under part IV of subchapter A*
11 *for any taxable year resulting from the applica-*
12 *tion of this paragraph shall be treated as allowed*
13 *under subpart C of such part (and not any other*
14 *subpart).*

15 *“(D) OTHER RULES.—*

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

19 *“(ii) PARTNERSHIPS WITH ELECTING*
20 *PARTNERS.—In the case of a corporation*
21 *which is a partner in a partnership and*
22 *which makes an election under subpara-*
23 *graph (A) for the taxable year, for purposes*
24 *of determining such corporation’s distribu-*

1 *tive share of partnership items under sec-*
2 *tion 702 for such taxable year—*

3 *“(I) paragraphs (1) and (2)(D)*
4 *shall not apply to any qualified prop-*
5 *erty placed in service during such tax-*
6 *able year, and*

7 *“(II) the applicable depreciation*
8 *method used under this section with re-*
9 *spect to such property shall be the*
10 *straight line method.*

11 *“(iii) CERTAIN PARTNERSHIPS.—In*
12 *the case of a partnership in which more*
13 *than 50 percent of the capital and profits*
14 *interests are owned (directly or indirectly)*
15 *at all times during the taxable year by 1*
16 *corporation (or by corporations treated as 1*
17 *taxpayer under subparagraph (B)(iii)),*
18 *each partner shall compute its bonus depre-*
19 *ciation amount under clause (i) of subpara-*
20 *graph (B) by taking into account its dis-*
21 *tributive share of the amounts determined*
22 *by the partnership under subclauses (I) and*
23 *(II) of such clause for the taxable year of*
24 *the partnership ending with or within the*
25 *taxable year of the partner.”.*

1 (c) *SPECIAL RULES FOR CERTAIN PLANTS BEARING*
 2 *FRUITS AND NUTS.*—Section 168(k) of such Code is amend-
 3 ed—

4 (1) *by striking paragraph (5), and*

5 (2) *by inserting after paragraph (4) the fol-*
 6 *lowing new paragraph:*

7 “(5) *SPECIAL RULES FOR CERTAIN PLANTS*
 8 *BEARING FRUITS AND NUTS.*—

9 “(A) *IN GENERAL.*—*In the case of any spec-*
 10 *ified plant which is planted, or is grafted to a*
 11 *plant that has already been planted, by the tax-*
 12 *payer in the ordinary course of the taxpayer’s*
 13 *farming business (as defined in section*
 14 *263A(e)(4)) during a taxable year for which the*
 15 *taxpayer has elected the application of this para-*
 16 *graph—*

17 “(i) *a depreciation deduction equal to*
 18 *50 percent of the adjusted basis of such*
 19 *specified plant shall be allowed under sec-*
 20 *tion 167(a) for the taxable year in which*
 21 *such specified plant is so planted or grafted,*
 22 *and*

23 “(ii) *the adjusted basis of such speci-*
 24 *fied plant shall be reduced by the amount of*
 25 *such deduction.*

1 “(B) *SPECIFIED PLANT.*—*For purposes of*
2 *this paragraph, the term ‘specified plant’*
3 *means—*

4 “(i) *any tree or vine which bears fruits*
5 *or nuts, and*

6 “(ii) *any other plant which will have*
7 *more than one yield of fruits or nuts and*
8 *which generally has a period of more than*
9 *2 years from the time of planting or graft-*
10 *ing to the time at which such plant begins*
11 *bearing fruits or nuts.*

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

15 “(C) *ELECTION REVOCABLE ONLY WITH*
16 *CONSENT.*—*An election under this paragraph*
17 *may be revoked only with the consent of the Sec-*
18 *retary.*

19 “(D) *ADDITIONAL DEPRECIATION MAY BE*
20 *CLAIMED ONLY ONCE.*—*If this paragraph applies*
21 *to any specified plant, such specified plant shall*
22 *not be treated as qualified property in the tax-*
23 *able year in which placed in service.*

24 “(E) *DEDUCTION ALLOWED IN COMPUTING*
25 *MINIMUM TAX.*—*Rules similar to the rules of*

1 *paragraph (2)(E) shall apply for purposes of*
 2 *this paragraph.”.*

3 (d) *CONFORMING AMENDMENTS.—*

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

5 (A) *by redesignating subparagraphs (A)*
 6 *and (B) as subparagraphs (D) and (E), respec-*
 7 *tively,*

8 (B) *by striking all that precedes subpara-*
 9 *graph (D) (as so redesignated) and inserting the*
 10 *following:*

11 “(6) *QUALIFIED LEASEHOLD IMPROVEMENT*
 12 *PROPERTY.—For purposes of this subsection—*

13 “(A) *IN GENERAL.—The term ‘qualified*
 14 *leasehold improvement property’ means any im-*
 15 *provement to an interior portion of a building*
 16 *which is nonresidential real property if—*

17 “(i) *such improvement is made under*
 18 *or pursuant to a lease (as defined in sub-*
 19 *section (h)(7))—*

20 “(I) *by the lessee (or any subles-*
 21 *see) of such portion, or*

22 “(II) *by the lessor of such portion,*

23 “(ii) *such portion is to be occupied ex-*
 24 *clusively by the lessee (or any sublessee) of*
 25 *such portion, and*

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

4 “(B) *CERTAIN IMPROVEMENTS NOT IN-*
 5 *CLUDED.—Such term shall not include any im-*
 6 *provement for which the expenditure is attrib-*
 7 *utable to—*

8 “(i) *the enlargement of the building,*

9 “(ii) *any elevator or escalator,*

10 “(iii) *any structural component bene-*
 11 *fitting a common area, or*

12 “(iv) *the internal structural framework*
 13 *of the building.*

14 “(C) *DEFINITIONS AND SPECIAL RULES.—*
 15 *For purposes of this paragraph—*

16 “(i) *COMMITMENT TO LEASE TREATED*
 17 *AS LEASE.—A commitment to enter into a*
 18 *lease shall be treated as a lease, and the*
 19 *parties to such commitment shall be treated*
 20 *as lessor and lessee, respectively.*

21 “(ii) *RELATED PERSONS.—A lease be-*
 22 *tween related persons shall not be considered*
 23 *a lease. For purposes of the preceding sen-*
 24 *tence, the term ‘related persons’ means—*

1 “(I) members of an affiliated
2 group (as defined in section 1504), and

3 “(II) persons having a relation-
4 ship described in subsection (b) of sec-
5 tion 267; except that, for purposes of
6 this clause, the phrase ‘80 percent or
7 more’ shall be substituted for the
8 phrase ‘more than 50 percent’ each
9 place it appears in such subsection.”,
10 and

11 (C) by striking “subparagraph (A)” in sub-
12 paragraph (E) (as so redesignated) and inserting
13 “subparagraph (D)”.

14 (2) Section 168(e)(7)(B) of such Code is amended
15 by striking “qualified leasehold improvement prop-
16 erty” and inserting “qualified improvement prop-
17 erty”.

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

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

22 “(6) *ELECTION OUT.*—If a taxpayer makes an
23 election under this paragraph with respect to any
24 class of property for any taxable year, paragraphs (1)
25 and (2)(D) shall not apply to any qualified property

1 *in such class placed in service during such taxable*
 2 *year. An election under this paragraph may be re-*
 3 *voked only with the consent of the Secretary.”.*

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

5 (A) *by striking “section 168(k)” in sub-*
 6 *paragraph (A) and inserting “subsection (k),*
 7 *and*

8 (B) *by striking “section 168(k)(2)(D)(i)” in*
 9 *subparagraph (B) and inserting “subsection*
 10 *(k)(2)(B)”.*

11 (6) *Section 168(l)(4) of such Code is amended by*
 12 *striking “subparagraph (E) of section 168(k)(2)” and*
 13 *all that follows and inserting “subsection (k)(2)(C)*
 14 *shall apply.”.*

15 (7) *Section 168(l)(5) of such Code is amended by*
 16 *striking “section 168(k)(2)(G)” and inserting “sub-*
 17 *section (k)(2)(E)”.*

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

20 “(7) *COORDINATION WITH SECTION 168(k)(5).—*
 21 *This section shall not apply to any amount allowed*
 22 *as a deduction by reason of section 168(k)(5) (relat-*
 23 *ing to special rules for certain plants bearing fruits*
 24 *and nuts).”.*

1 (9) *Section 460(c)(6)(B) of such Code is amend-*
 2 *ed by striking “which—” and all that follows and in-*
 3 *serting “which has a recovery period of 7 years or*
 4 *less.”.*

5 (10) *Section 168(k) of such Code is amended by*
 6 *striking “ACQUIRED AFTER DECEMBER 31, 2007,*
 7 *AND BEFORE JANUARY 1, 2015” in the heading there-*
 8 *of.*

9 *(e) EFFECTIVE DATES.—*

10 (1) *IN GENERAL.—Except as otherwise provided*
 11 *in this subsection, the amendments made by this sec-*
 12 *tion shall apply to property placed in service after*
 13 *December 31, 2014, in taxable years ending after such*
 14 *date.*

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

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

20 (B) *TRANSITIONAL RULE.—In the case of*
 21 *any taxable year beginning before January 1,*
 22 *2015, and ending after December 31, 2014, the*
 23 *limitation under section 168(k)(4)(B)(ii) of the*
 24 *Internal Revenue Code of 1986 (as amended by*
 25 *this section) shall be the sum of—*

1 (i) the product of—

2 (I) the maximum increase amount
3 (within the meaning of section
4 168(k)(4)(C)(iii) of such Code, as in ef-
5 fect before the amendments made by
6 this section), multiplied by

7 (II) a fraction the numerator of
8 which is the number of days in the tax-
9 able year before January 1, 2015, and
10 the denominator of which is the num-
11 ber of days in the taxable year, plus
12 (ii) the product of—

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

16 (II) a fraction the numerator of
17 which is the number of days in the tax-
18 able year after December 31, 2014, and
19 the denominator of which is the num-
20 ber of days in the taxable year.

21 (3) *SPECIAL RULES FOR CERTAIN PLANTS BEAR-*
22 *ING FRUITS AND NUTS.*—The amendments made by
23 subsection (c) (other than paragraph (1) thereof) shall
24 apply to specified plants (as defined in section
25 168(k)(5)(B) of the Internal Revenue Code of 1986, as

1 *amended by this section) planted or grafted after De-*
2 *cember 31, 2014.*

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

4 *The budgetary effects of this Act shall not be entered*
5 *on either PAYGO scorecard maintained pursuant to section*
6 *4(d) of the Statutory Pay-As-You-Go Act of 2010.*

Union Calendar No. 240

114TH CONGRESS
1ST Session

H. R. 2510

[Report No. 114-317, Part I]

A BILL

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

OCTOBER 28, 2015

Reported from the Committee on Ways and Means with
an amendment

OCTOBER 28, 2015

The Committee on the Budget discharged; committed to
the Committee of the Whole House on the State of the
Union and ordered to be printed