

115TH CONGRESS
1ST SESSION

S. 1144

To amend the Internal Revenue Code of 1986 to encourage business creation by allowing faster recovery of start-up and organizational expenses, to simplify accounting methods for small businesses, to expand expensing and provide accelerated cost recovery to encourage investment in new plants and equipment, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 17, 2017

Mr. THUNE (for himself and Mr. ROBERTS) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to encourage business creation by allowing faster recovery of start-up and organizational expenses, to simplify accounting methods for small businesses, to expand expensing and provide accelerated cost recovery to encourage investment in new plants and equipment, and for other purposes.

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. SHORT TITLE; AMENDMENT OF 1986 CODE;**
 2 **TABLE OF CONTENTS.**

3 (a) **SHORT TITLE.**—This Act may be cited as the
 4 “Investment in New Ventures and Economic Success
 5 Today Act of 2017” or the “INVEST Act of 2017”.

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
 9 to, or repeal of, a section or other provision, the reference
 10 shall be considered to be made to a section or other provi-
 11 sion of the Internal Revenue Code of 1986.

12 (c) **TABLE OF CONTENTS.**—

Sec. 1. Short title; amendment of 1986 Code; table of contents.

TITLE I—START-UP AND ORGANIZATIONAL BUSINESS EXPENSES

Sec. 101. Unification and expansion of deduction for start-up and organiza-
 tional expenditures.

TITLE II—ACCOUNTING METHODS

Sec. 201. Modifications of gross receipts test for use of cash method of account-
 ing by corporations and partnerships.

Sec. 202. Clarification of inventory accounting rules for small businesses.

Sec. 203. Modification of rules for capitalization and inclusion in inventory
 costs of certain expenses.

Sec. 204. Increase in gross receipts test for construction contract exception to
 percentage of completion method.

**TITLE III—MODIFICATIONS OF EXPENSING AND COST RECOVERY
 RULES**

Subtitle A—Expensing Rules

Sec. 301. Modifications of rules for expensing depreciable business assets.

Subtitle B—Cost Recovery Rules

Sec. 311. 50-percent expensing made permanent.

Sec. 312. Modifications of treatment of certain farm property.

Sec. 313. Secretarial requirement to reexamine economic depreciation for class-
 es of depreciable property.

Sec. 314. Modifications to depreciation limitations on luxury automobiles and personal use property.

Sec. 315. Reduction in amortization period for intangibles.

1 **TITLE I—START-UP AND ORGA-**
 2 **NIZATIONAL BUSINESS EX-**
 3 **PENSES**

4 **SEC. 101. UNIFICATION AND EXPANSION OF DEDUCTION**
 5 **FOR START-UP AND ORGANIZATIONAL EX-**
 6 **PENDITURES.**

7 (a) UNIFICATION.—

8 (1) IN GENERAL.—Subsection (a) of section
 9 195 is amended by inserting “and organizational”
 10 after “start-up”.

11 (2) ORGANIZATIONAL EXPENDITURES.—Sub-
 12 section (c) of section 195 is amended by adding at
 13 the end the following new paragraph:

14 “(3) ORGANIZATIONAL EXPENDITURES.—The
 15 term ‘organizational expenditures’ means any ex-
 16 penditure which—

17 “(A) is incident to the creation of a cor-
 18 poration or a partnership,

19 “(B) is chargeable to capital account, and

20 “(C) is of a character which, if expended
 21 incident to the creation of a corporation or a
 22 partnership having an ascertainable life, would
 23 be amortizable over such life.”.

1 (3) CONFORMING AMENDMENT.—Section
 2 195(b)(1) is amended by inserting “or organiza-
 3 tional” after “start-up” each place it appears.

4 (b) DOLLAR AMOUNTS AND AMORTIZATION PE-
 5 RIOD.—

6 (1) DOLLAR AMOUNTS.—

7 (A) INCREASE.—Clause (ii) of section
 8 195(b)(1)(A) is amended—

9 (i) by striking “\$5,000” and inserting
 10 “\$50,000”, and

11 (ii) by striking “\$50,000” and insert-
 12 ing “\$100,000”.

13 (B) ADJUSTMENT FOR INFLATION.—Para-
 14 graph (3) of section 195(b) is amended to read
 15 as follows:

16 “(3) ADJUSTMENT FOR INFLATION.—In the
 17 case of any taxable year beginning after December
 18 31, 2018, the \$50,000 and \$100,000 amounts in
 19 paragraph (1)(A)(ii) shall each be increased by an
 20 amount equal to—

21 “(A) such dollar amount, multiplied by

22 “(B) the cost-of-living adjustment deter-
 23 mined under section 1(f)(3) for the calendar
 24 year in which the taxable year begins, by sub-

1 stituting ‘calendar year 2017’ for ‘calendar year
2 1992’ in subparagraph (B) thereof.

3 If any amount as increased under the preceding sen-
4 tence is not a multiple of \$1,000, such amount shall
5 be rounded to the nearest multiple of \$1,000.”.

6 (2) AMORTIZATION PERIOD.—Subparagraph
7 (B) of section 195(b)(1) is amended by striking
8 “180-month period” and inserting “120-month pe-
9 riod”.

10 (3) ALLOCATION OF LIMIT TO INITIAL START-
11 UP AND ORGANIZATIONAL EXPENDITURES.—Section
12 195(b) is amended—

13 (A) by striking “If” in paragraph (1) and
14 inserting “Subject to paragraph (4), if”, and

15 (B) by adding at the end the following new
16 paragraph:

17 “(4) SPECIAL RULES FOR AGGREGATION OF
18 INITIAL EXPENDITURES OF CORPORATIONS AND
19 PARTNERSHIPS.—For purposes of paragraph (1), if,
20 at the time a corporation or partnership first begins
21 the active conduct of one or more trades or busi-
22 nesses, a taxpayer has both start-up expenditures
23 with respect to such trades or businesses and organi-
24 zational expenditures with respect to such entity—

1 “(A) any election under paragraph (1)
2 shall cover both such start-up and organiza-
3 tional expenditures,

4 “(B) the amount of the deduction under
5 paragraph (1)(A) with respect to all such start-
6 up and organizational expenditures shall not ex-
7 ceed the limitation under clause (ii) of para-
8 graph (1)(A), and

9 “(C) the amount of such start-up and or-
10 ganizational expenditures remaining after such
11 deduction shall be amortized under paragraph
12 (1)(B).”.

13 (c) CONFORMING AMENDMENTS.—

14 (1)(A) Part VIII of subchapter B of chapter 1
15 is amended by striking section 248.

16 (B) Section 56(g)(4)(D)(ii) is amended by
17 striking “Sections 173 and 248” and inserting “Sec-
18 tion 173”.

19 (C) Section 170(b)(2)(D)(ii) is amended by
20 striking “(except section 248)”.

21 (D) Section 312(n)(3) is amended by striking
22 “Sections 173 and 248” and inserting “Sections 173
23 and 195”.

24 (E) Section 535(b)(3) is amended by striking
25 “(except section 248)”.

1 (F) Section 545(b)(3) is amended by striking
2 “(except section 248)”.

3 (G) Section 834(e)(7) is amended by striking
4 “(except section 248)”.

5 (H) Section 852(b)(2)(C) is amended by strik-
6 ing “(except section 248)”.

7 (I) Section 857(b)(2)(A) is amended by striking
8 “(except section 248)”.

9 (J) Section 1363(b)(3) is amended by striking
10 “section 248” and inserting “section 195”.

11 (K) Section 1375(b)(1)(B)(i) is amended by
12 striking “(other than the deduction allowed by sec-
13 tion 248, relating to organization expenditures)”.

14 (L) The table of sections for part VIII of sub-
15 chapter B of chapter 1 is amended by striking the
16 item relating to section 248.

17 (2)(A) Section 709 is amended to read as fol-
18 lows:

19 **“SEC. 709. TREATMENT OF SYNDICATION FEES.**

20 “No deduction shall be allowed under this chapter to
21 a partnership or to any partner of the partnership for any
22 amounts paid or incurred to promote the sale of (or to
23 sell) an interest in the partnership.”.

24 (B) The item relating to section 709 in the
25 table of sections for part I of subchapter K of chap-

1 ter 1 is amended by striking “**ORGANIZATION**
2 **AND**”.

3 (d) CLERICAL AMENDMENTS.—

4 (1) The heading of section 195 is amended by
5 striking “**EXPENDITURES**” and inserting “**AND**
6 **ORGANIZATIONAL EXPENDITURES**”.

7 (2) The item relating to section 195 in the table
8 of contents of part VI of subchapter B of chapter 1
9 is amended to read as follows:

“Sec. 195. Start-up and organizational expenditures.”.

10 (e) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to elections which first take effect
12 for taxable years beginning after December 31, 2017.

13 **TITLE II—ACCOUNTING** 14 **METHODS**

15 **SEC. 201. MODIFICATIONS OF GROSS RECEIPTS TEST FOR**
16 **USE OF CASH METHOD OF ACCOUNTING BY**
17 **CORPORATIONS AND PARTNERSHIPS.**

18 (a) MODIFICATIONS OF GROSS RECEIPTS TEST.—

19 (1) IN GENERAL.—So much of section 448(c)
20 as precedes paragraph (2) is amended to read as fol-
21 lows:

22 “(c) GROSS RECEIPTS TEST.—

23 “(1) IN GENERAL.—A corporation or partner-
24 ship meets the gross receipts test of this subsection
25 for any taxable year if the average annual gross re-

1 receipts of such entity for the 3-taxable-year period
2 ending with the taxable year which precedes such
3 taxable year does not exceed the applicable dollar
4 limit.”.

5 (2) APPLICABLE DOLLAR LIMIT.—Subsection
6 (c) of section 448 is amended by adding at the end
7 the following new paragraph:

8 “(4) APPLICABLE DOLLAR LIMIT.—

9 “(A) IN GENERAL.—The applicable dollar
10 limit is \$15,000,000.

11 “(B) ADJUSTMENT FOR INFLATION.—In
12 the case of any taxable year beginning after De-
13 cember 31, 2018, the \$15,000,000 amount
14 under subparagraph (A) shall be increased by
15 an amount equal to—

16 “(i) such dollar amount, multiplied by

17 “(ii) the cost-of-living adjustment de-
18 termined under section 1(f)(3) for the cal-
19 endar year in which the taxable year be-
20 gins, by substituting ‘calendar year 2017’
21 for ‘calendar year 1992’ in subparagraph
22 (B) thereof.

23 If any amount as increased under the preceding
24 sentence is not a multiple of \$1,000, such

1 amount shall be rounded to the nearest multiple
2 of \$1,000.”.

3 (3) CHANGE IN METHOD OF ACCOUNTING.—

4 Paragraph (7) of section 448(d) is amended—

5 (A) by striking “In the case of” and all
6 that follows up to subparagraph (A) and insert-
7 ing: “If a taxpayer changes its method of ac-
8 counting because the taxpayer is prohibited
9 from using the cash receipts and disbursement
10 method of accounting by reason of subsection
11 (a) or is no longer prohibited from using such
12 method by reason of such subsection—”, and

13 (B) by inserting “and” at the end of sub-
14 paragraph (A), by striking “, and” at the end of
15 subparagraph (B) and inserting a period, and
16 by striking subparagraph (C).

17 (4) CONFORMING AMENDMENTS.—

18 (A) Paragraph (3) of section 448(b) is
19 amended to read as follows:

20 “(3) ENTITIES SATISFYING GROSS RECEIPTS
21 TEST.—Paragraphs (1) and (2) of subsection (a)
22 shall not apply to any corporation or partnership for
23 any taxable year if such entity meets the gross re-
24 ceipts test of subsection (c) for the taxable year.”.

1 (B) Clause (iii) of section 172(b)(1)(E) is
2 amended by inserting “, applied by substituting
3 ‘\$5,000,000’ for ‘the applicable dollar limit’ in
4 paragraph (1) thereof,” after “section 448(c)”.

5 (b) APPLICATION OF MODIFICATIONS TO FARMING
6 CORPORATIONS.—

7 (1) IN GENERAL.—Paragraph (1) of section
8 447(d) is amended to read as follows:

9 “(1) IN GENERAL.—A corporation meets the re-
10 quirements of this subsection for any taxable year
11 with respect to its gross receipts if the corporation
12 meets the gross receipts test of section 448(c) for
13 the taxable year.”.

14 (2) FAMILY CORPORATIONS.—Paragraph (2) of
15 section 447(d) is amended—

16 (A) by striking subparagraph (A) and in-
17 serting the following:

18 “(A) IN GENERAL.—In the case of a fam-
19 ily corporation, in applying section 448(c) for
20 purposes of paragraph (1)—

21 “(i) paragraph (1) of section 448(c)
22 shall be applied by substituting the appli-
23 cable family corporation limit for the appli-
24 cable dollar limit, and

1 “(ii) the rules of subparagraph (B)
2 shall apply in computing gross receipts.”,

3 (B) Clause (i) of section 447(d)(2)(B) is
4 amended by striking “the last sentence of para-
5 graph (1)” and inserting “paragraph (2) of sec-
6 tion 448(c)”, and

7 (C) by adding at the end the following new
8 subparagraph:

9 “(D) APPLICABLE FAMILY CORPORATION
10 LIMIT.—

11 “(i) IN GENERAL.—The applicable
12 family corporation limit is \$25,000,000.

13 “(ii) ADJUSTMENT FOR INFLATION.—
14 In the case of any taxable year beginning
15 after December 31, 2018, the \$25,000,000
16 amount under clause (i) shall be increased
17 by an amount equal to—

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

20 “(II) the cost-of-living adjust-
21 ment determined under section 1(f)(3)
22 for the calendar year in which the tax-
23 able year begins, by substituting ‘cal-
24 endar year 2017’ for ‘calendar year
25 1992’ in subparagraph (B) thereof.

1 If any amount as increased under the pre-
2 ceding sentence is not a multiple of
3 \$1,000, such amount shall be rounded to
4 the nearest multiple of \$1,000.”.

5 (3) CHANGE IN METHOD OF ACCOUNTING.—
6 Section 447(f) is amended—

7 (A) by striking “In the case of” and all
8 that follows up to paragraph (1) and inserting:
9 “If a taxpayer changes its method of account-
10 ing because the taxpayer is required to use an
11 accrual method of accounting by reason of sub-
12 section (a) or is no longer required to use such
13 method by reason of such subsection—”, and

14 (B) by striking paragraph (2) and insert-
15 ing:

16 “(2) such change shall be treated as initiated
17 by the taxpayer, and”.

18 (c) EFFECTIVE DATE.—The amendments made by
19 this section shall apply to taxable years beginning after
20 December 31, 2017.

21 **SEC. 202. CLARIFICATION OF INVENTORY ACCOUNTING**
22 **RULES FOR SMALL BUSINESSES.**

23 (a) CLARIFICATION OF INVENTORY RULES.—

24 (1) IN GENERAL.—Section 471 is amended by
25 redesignating subsection (c) as subsection (d) and by

1 inserting after subsection (b) the following new sub-
2 section:

3 “(c) SMALL BUSINESS TAXPAYERS NOT REQUIRED
4 TO USE INVENTORIES.—

5 “(1) IN GENERAL.—A qualified taxpayer shall
6 not be required to use inventories under this section
7 for a taxable year.

8 “(2) TREATMENT OF TAXPAYERS NOT USING
9 INVENTORIES.—A qualified taxpayer who is not re-
10 quired under this subsection to use inventories with
11 respect to any property for a taxable year beginning
12 after December 31, 2017, may treat such property
13 as an incidental material or supply for such taxable
14 year.

15 “(3) QUALIFIED TAXPAYER.—For purposes of
16 this subsection, the term ‘qualified taxpayer’ means,
17 with respect to any taxable year, a taxpayer who
18 meets the gross receipts test of section 448(c) for
19 the taxable year. Such term shall not include a tax
20 shelter prohibited from using the cash receipts and
21 disbursements method of accounting under section
22 448(a)(3).

23 “(4) COORDINATION WITH SECTION 481.—If a
24 taxpayer changes its method of accounting because
25 the taxpayer is not required to use inventories by

1 reason of paragraph (1) or is required to use inven-
2 tories because such paragraph no longer applies to
3 the taxpayer—

4 “(A) such change shall be treated as initi-
5 ated by the taxpayer, and

6 “(B) such change shall be treated as made
7 with the consent of the Secretary.”.

8 (2) CONFORMING AMENDMENT.—Subsection (c)
9 of section 263A is amended by adding at the end the
10 following new paragraph:

11 “(8) EXCLUSION FROM INVENTORY RULES.—
12 Nothing in this section shall require the use of in-
13 ventories for any taxable year by a qualified tax-
14 payer (within the meaning of section 471(c)(3)) who
15 is not required to use inventories under section 471
16 for such taxable year.”.

17 (b) EFFECTIVE DATE.—The amendments made by
18 this section shall apply to taxable years beginning after
19 December 31, 2017.

20 **SEC. 203. MODIFICATION OF RULES FOR CAPITALIZATION**
21 **AND INCLUSION IN INVENTORY COSTS OF**
22 **CERTAIN EXPENSES.**

23 (a) GROSS RECEIPTS EXCEPTION TO APPLY TO
24 PROPERTY PRODUCED BY THE TAXPAYER.—Section

1 263A(b) is amended by striking all that follows paragraph
2 (1) and inserting the following new paragraphs:

3 “(2) PROPERTY ACQUIRED FOR RESALE.—Real
4 or personal property described in section 1221(a)(1)
5 which is acquired by the taxpayer for resale.

6 “(3) EXCEPTION FOR SMALL BUSINESSES.—
7 This section shall not apply to any property pro-
8 duced or acquired by the taxpayer during any tax-
9 able year if the taxpayer is a qualified taxpayer (as
10 defined in section 471(c)(3)) for the taxable year.

11 “(4) FILMS, SOUND RECORDINGS, BOOKS,
12 ETC.—For purposes of this subsection, the term
13 ‘tangible personal property’ shall include a film,
14 sound recording, video tape, book, or similar prop-
15 erty.

16 “(5) COORDINATION WITH SECTION 481.—If a
17 taxpayer changes its method of accounting because
18 this section does not apply to the taxpayer by reason
19 of the exception under paragraph (3) or this section
20 applies to the taxpayer because such exception no
21 longer applies to the taxpayer—

22 “(A) such change shall be treated as initi-
23 ated by the taxpayer, and

24 “(B) such change shall be treated as made
25 with the consent of the Secretary.”.

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2017.

4 **SEC. 204. INCREASE IN GROSS RECEIPTS TEST FOR CON-**
5 **STRUCTION CONTRACT EXCEPTION TO PER-**
6 **CENTAGE OF COMPLETION METHOD.**

7 (a) INCREASE.—

8 (1) IN GENERAL.—Clause (ii) of section
9 460(e)(1)(B) is amended to read as follows:

10 “(ii) who meets the gross receipts test
11 of section 448(e) for the taxable year in
12 which such contract is entered into.”.

13 (2) CONFORMING AMENDMENTS.—

14 (A) Paragraph (2) of section 460(e) is
15 amended to read as follows:

16 “(2) ADDITIONAL RULES FOR DETERMINING
17 GROSS RECEIPTS.—For purposes of paragraph
18 (1)(B)(ii), the Secretary shall prescribe regulations
19 which provide attribution rules similar to section
20 448(e) and which take into account gross receipts of
21 taxpayers who engage in construction contracts
22 through partnerships, joint ventures, and corpora-
23 tions and which would otherwise not be taken into
24 account under such section.”.

1 (B) Section 460(e) is amended by striking
2 paragraph (3) and by redesignating paragraphs
3 (4) through (6) as paragraphs (3) through (5),
4 respectively.

5 (C) The last sentence of section 56(a)(3) is
6 amended by striking “section 460(e)(6)” and
7 inserting “section 460(e)(5)”.

8 (b) COORDINATION WITH SECTION 481.—Section
9 460(e), as amended by subsection (a), is amended by add-
10 ing at the end the following:

11 “(6) COORDINATION WITH SECTION 481.—If a
12 taxpayer changes its method of accounting because
13 subsections (a), (b), and (c) (1) and (2) do not apply
14 by reason of the exception under paragraph (1)(B)
15 or such subsections apply to the taxpayer because
16 such exception no longer applies to the taxpayer—

17 “(A) such change shall be treated as initi-
18 ated by the taxpayer,

19 “(B) such change shall be treated as made
20 with the consent of the Secretary, and

21 “(C) such change shall be permitted only
22 on a cut-off basis and no adjustments under
23 section 481(a) shall be made.”.

1 (c) EFFECTIVE DATE.—The amendment made by
 2 this section shall apply to contracts entered into after De-
 3 cember 31, 2017, in taxable years ending after such date.

4 **TITLE III—MODIFICATIONS OF**
 5 **EXPENSING AND COST RE-**
 6 **COVERY RULES**

7 **Subtitle A—Expensing Rules**

8 **SEC. 301. MODIFICATIONS OF RULES FOR EXPENSING DE-**
 9 **PRECIABLE BUSINESS ASSETS.**

10 (a) INCREASE IN LIMITATION.—

11 (1) DOLLAR LIMITATION.—Section 179(b)(1)
 12 by striking “\$500,000” and inserting “\$2,000,000”.

13 (2) REDUCTION IN LIMITATION.—Section
 14 179(b)(2) is amended by striking “\$2,000,000” and
 15 inserting “\$3,000,000”.

16 (3) INFLATION ADJUSTMENTS.—

17 (A) IN GENERAL.—Subparagraph (A) of
 18 section 179(b)(6) is amended—

19 (i) by striking “2015” and inserting
 20 “2018”, and

21 (ii) by striking “calendar year 2014”
 22 in clause (ii) and inserting “calendar year
 23 2017”.

24 (B) SPORT UTILITY VEHICLES.—Section
 25 179(b)(6) is amended—

1 (i) by striking “paragraphs (1) and
2 (2)” in subparagraph (A) and inserting
3 “paragraphs (1), (2), and (5)(A)”, and

4 (ii) by inserting “((\$100 in the case of
5 any increase in the amount under para-
6 graph (5)(A))” after “\$10,000” in sub-
7 paragraph (B).

8 (b) SECTION 179 PROPERTY TO INCLUDE QUALI-
9 FIED REAL PROPERTY.—

10 (1) IN GENERAL.—Subparagraph (B) of section
11 179(d)(1) is amended to read as follows:

12 “(B) which is—

13 “(i) section 1245 property (as defined
14 in section 1245(a)(3)), or

15 “(ii) qualified real property (as de-
16 fined in subsection (f)), and”.

17 (2) QUALIFIED REAL PROPERTY DEFINED.—

18 Section 179(f) is amended to read as follows:

19 “(f) QUALIFIED REAL PROPERTY.—For purposes of
20 this subsection, the term ‘qualified real property’ means—

21 “(1) any qualified improvement property de-
22 scribed in section 168(k)(3), and

23 “(2) any of the following improvements to non-
24 residential real property placed in service after the
25 date such property was first placed in service:

1 “(A) Roofs.

2 “(B) Heating, ventilation, and air-condi-
3 tioning property.

4 “(C) Fire protection and alarm systems.

5 “(D) Security systems.”.

6 (c) REPEAL OF EXCLUSION FOR CERTAIN PROP-
7 erty.—The last sentence of section 179(d)(1) is amended
8 by inserting “(other than paragraph (2) thereof)” after
9 “section 50(b)”.

10 (d) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to property placed in service in
12 taxable years beginning after December 31, 2017.

13 **Subtitle B—Cost Recovery Rules**

14 **SEC. 311. 50-PERCENT EXPENSING MADE PERMANENT.**

15 (a) IN GENERAL.—Section 168(k)(2) is amended to
16 read as follows:

17 “(2) QUALIFIED PROPERTY.—For purposes of
18 this subsection—

19 “(A) IN GENERAL.—The term ‘qualified
20 property’ means property—

21 “(i)(I) to which this section applies
22 which has a recovery period of 20 years or
23 less,

24 “(II) which is computer software (as
25 defined in section 167(f)(1)(B)) for which

1 a deduction is allowable under section
2 167(a) without regard to this subsection,

3 “(III) which is water utility property,

4 or

5 “(IV) which is qualified improvement
6 property, and

7 “(ii) the original use of which com-
8 mences with the taxpayer.

9 “(B) EXCEPTION FOR ALTERNATIVE DE-
10 PRECIATION PROPERTY.—The term ‘qualified
11 property’ shall not include any property to
12 which the alternative depreciation system under
13 subsection (g) applies, determined—

14 “(i) without regard to paragraph (7)
15 of subsection (g) (relating to election to
16 have system apply), and

17 “(ii) after application of section
18 280F(b) (relating to listed property with
19 limited business use).

20 “(C) SPECIAL RULES.—

21 “(i) SALE-LEASEBACKS.—For pur-
22 poses of clause (ii) and subparagraph
23 (A)(ii), if property is—

24 “(I) originally placed in service
25 by a person, and

1 “(II) sold and leased back by
2 such person within 3 months after the
3 date such property was originally
4 placed in service,
5 such property shall be treated as originally
6 placed in service not earlier than the date
7 on which such property is used under the
8 leaseback referred to in subclause (II).

9 “(ii) SYNDICATION.—For purposes of
10 subparagraph (A)(ii), if—

11 “(I) property is originally placed
12 in service by the lessor of such prop-
13 erty,

14 “(II) such property is sold by
15 such lessor or any subsequent pur-
16 chaser within 3 months after the date
17 such property was originally placed in
18 service (or, in the case of multiple
19 units of property subject to the same
20 lease, within 3 months after the date
21 the final unit is placed in service, so
22 long as the period between the time
23 the first unit is placed in service and
24 the time the last unit is placed in

1 service does not exceed 12 months),
2 and

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

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

11 “(D) COORDINATION WITH SECTION
12 280F.—For purposes of section 280F—

13 “(i) AUTOMOBILES.—In the case of a
14 passenger automobile (as defined in section
15 280F(d)(5)) which is qualified property,
16 the Secretary shall increase the limitation
17 under section 280F(a)(1)(A)(i) to an
18 amount equal to the lesser of—

19 “(I) 50 percent of the adjusted
20 basis of such automobile, or

21 “(II) \$25,000.

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

1 “(iii) INFLATION ADJUSTMENT.—In
2 the case of any taxable year beginning in
3 a calendar year after 2018, the \$25,000
4 amount in clause (i) shall be increased by
5 an amount equal to—

6 “(I) such dollar amount, multi-
7 plied by

8 “(II) the automobile price infla-
9 tion adjustment determined under sec-
10 tion 280F(d)(7)(B)(i) for the calendar
11 year in which such taxable year begins
12 by substituting ‘2017’ for ‘1987’ in
13 subclause (II) thereof.

14 If any increase under the preceding sen-
15 tence is not a multiple of \$100, such in-
16 crease shall be rounded to the nearest mul-
17 tiple of \$100.

18 “(E) DEDUCTION ALLOWED IN COMPUTING
19 MINIMUM TAX.—For purposes of determining
20 alternative minimum taxable income under sec-
21 tion 55, the deduction under section 167 for
22 qualified property shall be determined without
23 regard to any adjustment under section 56.”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) AMENDMENTS RELATED TO 50-PERCENT
2 EXPENSING.—

3 (A) Each of the following provisions are
4 amended by striking “(2)(F)” each place it ap-
5 pears and inserting “(2)(D)”:

6 (i) Subparagraphs (A)(i), (B)(i), and
7 (D)(ii)(I) of section 168(k)(4).

8 (ii) Section 168(k)(7).

9 (B) Section 168(k)(5) is amended—

10 (i) in subparagraph (A)—

11 (I) by striking “before January
12 1, 2020”, and

13 (II) by striking “before such
14 date”,

15 (ii) in subparagraph (B)(ii)—

16 (I) by inserting “crop or” after
17 “will have more than one”, and

18 (II) by inserting “a marketable
19 crop or yield of” after “begins bear-
20 ing”,

21 (iii) by striking “(2)(G)” in subpara-
22 graph (E) and inserting “(2)(E)”, and

23 (iv) by striking subparagraph (F).

24 (C) Section 168(k), as amended by sub-
25 paragraphs (A)(ii) and (D), is amended by

1 striking paragraph (6) and by redesignating
2 paragraph (7) as paragraph (6).

3 (D) Section 168(k)(7), as in effect before
4 the amendments made by subparagraphs (A)(ii)
5 and (C), is amended by striking “paragraphs
6 (1) and (2)(F)” and inserting “paragraphs (1),
7 (2)(F), and (4)”.

8 (E) Section 168(k) is amended by striking
9 “ACQUIRED AFTER DECEMBER 31, 2007, AND
10 BEFORE JANUARY 1, 2020” in the heading
11 thereof.

12 (F) Subsections (e)(7)(B), (k)(4),
13 (l)(3)(A), (m)(2)(B)(i), and (n)(2)(B)(i) of sec-
14 tion 168 are each amended by striking “bonus
15 depreciation” each place it appears in the text
16 and headings thereof and inserting “50-percent
17 expensing”.

18 (2) OTHER CONFORMING AMENDMENTS.—

19 (A) Section 168(l)(3)(B) is amended by
20 striking “subsection (k)(2)(D)” and inserting
21 “subsection (k)(2)(B)”.

22 (B) Section 168(l)(4) is amended by strik-
23 ing “subsection (k)(2)(E)” and inserting “sub-
24 section (k)(2)(C)”.

1 (C) Section 168(l)(5) is amended by strik-
 2 ing “subsection (k)(2)(G)” and inserting “sub-
 3 section (k)(2)(E)”.

4 (D) Section 460(c)(6)(B) is amended by
 5 striking “which—” and all that follows and in-
 6 serting “which has a recovery period of 7 years
 7 or less.”.

8 (c) EFFECTIVE DATES.—

9 (1) IN GENERAL.—The amendments made by
 10 this section shall apply to property placed in service
 11 after December 31, 2017, in taxable years ending
 12 after such date.

13 (2) CERTAIN TECHNICAL CORRECTIONS.—

14 (A) The amendments made by subsection
 15 (b)(1)(B)(ii) shall apply to specified plants
 16 planted or grafted after December 31, 2015.

17 (B) The amendment made by subsection
 18 (b)(1)(D) shall apply to property placed in serv-
 19 ice after December 31, 2015, in taxable years
 20 ending after such date.

21 **SEC. 312. MODIFICATIONS OF TREATMENT OF CERTAIN**
 22 **FARM PROPERTY.**

23 (a) TREATMENT OF CERTAIN FARM PROPERTY AS 5-
 24 YEAR PROPERTY.—Clause (vii) of section 168(e)(3)(B) is

1 amended by striking “after December 31, 2008, and which
2 is placed in service before January 1, 2010”.

3 (b) REPEAL OF REQUIRED USE OF 150-PERCENT
4 DECLINING BALANCE METHOD.—Section 168(b)(2) is
5 amended by striking subparagraph (B) and by redesignig-
6 nating subparagraphs (C) and (D) as subparagraphs (B)
7 and (C), respectively.

8 (c) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to property placed in service after
10 December 31, 2017, in taxable years ending after such
11 date.

12 **SEC. 313. SECRETARIAL REQUIREMENT TO REEXAMINE**
13 **ECONOMIC DEPRECIATION FOR CLASSES OF**
14 **DEPRECIABLE PROPERTY.**

15 (a) IN GENERAL.—Paragraph (1) of section 168(i)
16 is amended to read as follows:

17 “(1) CLASS LIFE.—

18 “(A) IN GENERAL.—Except as provided in
19 this section, the term ‘class life’ means the class
20 life (if any) which would be applicable with re-
21 spect to any property as of January 1, 1986,
22 under subsection (m) of section 167 (deter-
23 mined without regard to paragraph (4) and as
24 if the taxpayer had made an election under
25 such subsection). The reference in this para-

1 graph to subsection (m) of section 167 shall be
2 treated as a reference to such subsection as in
3 effect on the day before the date of the enact-
4 ment of the Revenue Reconciliation Act of
5 1990.

6 “(B) SECRETARIAL AUTHORITY TO MODIFY
7 REV. PROC. 87-56.—

8 “(i) IN GENERAL.—The Secretary,
9 through the Office of Tax Analysis and in
10 consultation with the Bureau of Economic
11 Analysis of the Department of Commerce,
12 shall conduct an on-going study to—

13 “(I) determine, and develop a
14 schedule of, the economic depreciation
15 of the major categories of depreciable
16 property (other than specified prop-
17 erty) to approximate constant
18 straight-line depreciation, and

19 “(II) develop recommendations
20 regarding the proper economic depre-
21 ciation for specified property.

22 “(ii) REPORT.—Not later than De-
23 cember 31, 2020, and not less frequently
24 than every 5 years after such date, the
25 Secretary shall submit to the Committee

1 on Finance of the Senate and to the Com-
2 mittee on Ways and Means of the House
3 of Representatives—

4 “(I) any schedule developed
5 under clause (i)(I), and

6 “(II) any recommendations devel-
7 oped under clause (i)(II).

8 “(iii) EFFECTIVE DATE OF SCHED-
9 ULES.—Any schedule developed under
10 clause (i)(I) and submitted to Congress
11 under clause (ii) shall take effect with re-
12 spect to property placed in service on or
13 after first day of the first calendar year be-
14 ginning at least 1 year after the date such
15 schedule is submitted.

16 “(C) TREATMENT UNDER CONGRESSIONAL
17 REVIEW ACT.—For purposes of applying chap-
18 ter 8 of title 5, United States Code, any sched-
19 ule developed and submitted under subpara-
20 graph (B) shall be treated as a major rule.

21 “(D) SPECIFIED PROPERTY.—For pur-
22 poses of subparagraph (B), the term ‘specified
23 property’ means—

1 “(i) any property which is classified
2 under subsection (e)(3) (other than sub-
3 paragraph (C)(v) thereof), or

4 “(ii) any nonresidential real property,
5 residential rental property, railroad grad-
6 ing or tunnel bore, or water utility prop-
7 erty.”.

8 (b) EFFECTIVE DATE.—The amendment made by
9 this section shall take effect on the date of the enactment
10 of this Act.

11 **SEC. 314. MODIFICATIONS TO DEPRECIATION LIMITATIONS**
12 **ON LUXURY AUTOMOBILES AND PERSONAL**
13 **USE PROPERTY.**

14 (a) LUXURY AUTOMOBILES.—

15 (1) IN GENERAL.—280F(a)(1)(A) is amended—

16 (A) by striking “\$2,560” in clause (i) and
17 inserting “\$10,000”,

18 (B) by striking “\$4,100” in clause (ii) and
19 inserting “\$16,000”,

20 (C) by striking “\$2,450” in clause (iii) and
21 inserting “\$9,600”, and

22 (D) by striking “\$1,475” in clause (iv) and
23 inserting “\$5,760”.

24 (2) CONFORMING AMENDMENTS.—

1 (A) Clause (ii) of section 280F(a)(1)(B) is
2 amended by striking “\$1,475” in the text and
3 heading and inserting “\$5,760”.

4 (B) Paragraph (7) of section 280F(d) is
5 amended—

6 (i) by striking “1988” in subpara-
7 graph (A) and inserting “2018”, and

8 (ii) by striking “1987” in subpara-
9 graph (B)(i)(II) and inserting “2017”.

10 (b) REMOVAL OF COMPUTER EQUIPMENT FROM
11 LISTED PROPERTY.—

12 (1) IN GENERAL.—Section 280F(d)(4)(A) is
13 amended by inserting “and” at the end of clause
14 (iii) and by striking clause (iv).

15 (2) CONFORMING AMENDMENT.—Section
16 280F(d)(4) is amended by striking subparagraph
17 (B) and by redesignating subparagraph (C) as sub-
18 paragraph (B).

19 (c) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to property placed in service after
21 December 31, 2017, in taxable years ending after such
22 date.

1 **SEC. 315. REDUCTION IN AMORTIZATION PERIOD FOR IN-**
2 **TANGIBLES.**

3 (a) IN GENERAL.—Section 197(a) is amended by
4 adding at the end the following new sentence: “In the case
5 of such an intangible acquired after the date of the enact-
6 ment of the INVEST Act of 2017, the preceding sentence
7 shall be applied by substituting ‘10-year period’ for ‘15-
8 year period’.”.

9 (b) APPLICATION OF ANTI-CHURNING RULES.—Sec-
10 tion 197(f)(9) is amended by adding at the end the fol-
11 lowing:

12 “(G) APPLICATION TO INVEST ACT
13 CHANGES.—If subparagraph (A) or (F) would
14 apply to any section 197 intangible if—

15 “(i) ‘the date of the enactment of the
16 INVEST Act of 2017’ were substituted for
17 ‘the date of the enactment of this section’
18 each place it appears in each such sub-
19 paragraph, and

20 “(ii) ‘May 17, 2017’ were substituted
21 for ‘July 25, 1991’ each place it appears in
22 subparagraph (A),

23 then the last sentence of subsection (a) (relat-
24 ing to 10-year amortization) shall not apply to
25 the transferee of such intangible.”.

1 (c) CONFORMING AMENDMENT.—Section
2 197(e)(4)(D)(i) is amended by inserting “(10 years in the
3 case of a right acquired after the date of the enactment
4 of the INVEST Act of 2017)” after “15 years”.

5 (d) EFFECTIVE DATE.—The amendments made by
6 this section apply to acquisitions after the date of the en-
7 actment of this Act in taxable years ending after such
8 date.

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