

105TH CONGRESS  
1ST SESSION

# H. R. 1593

To amend the Internal Revenue Code of 1986 to provide that the look-back method shall not apply to construction contracts required to use the percentage of completion method.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 14, 1997

Mr. CHRISTENSEN (for himself and Mr. CRAMER) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide that the look-back method shall not apply to construction contracts required to use the percentage of completion method.

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. FINDINGS.**

4       The Congress finds that—

5               (1) eliminating the application of the look-back  
6       method to nonresidential construction contracts is  
7       revenue neutral and will save the time and money

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1 being expended by construction contractors in apply-  
 2 ing such method,

3 (2) the look-back method is not needed as an  
 4 enforcement mechanism in the construction industry,  
 5 and

6 (3) the look-back method does not provide the  
 7 relief from the percentage of completion method that  
 8 it was intended to provide to construction contrac-  
 9 tors because compliance costs far outweigh overpay-  
 10 ments repaid to taxpayers by the Internal Revenue  
 11 Service.

12 **SEC. 2. LOOK-BACK METHOD NOT TO APPLY TO CONSTRUC-**  
 13 **TION CONTRACTS REQUIRED TO USE THE**  
 14 **PERCENTAGE OF COMPLETION METHOD.**

15 (a) IN GENERAL.—Paragraph (3) of section 460(b)  
 16 of the Internal Revenue Code of 1986 (relating to special  
 17 rules for look-back method) is amended by adding at the  
 18 end the following new subparagraph:

19 “(C) LOOK-BACK METHOD NOT TO APPLY  
 20 TO CONSTRUCTION CONTRACTS.—Paragraph  
 21 (1)(B) shall not apply to any construction con-  
 22 tract (as defined in subsection (e)(4)).”

23 (b) MINIMUM TAX TREATMENT.—Paragraph (3) of  
 24 section 56(a) of such Code is amended by striking the sec-  
 25 ond sentence and inserting the following new sentence:

1 “For purposes of applying the preceding sentence to a  
2 construction contract (as defined in section 460(e)(4)),  
3 section 460(b)(1)(B) shall not apply.”

4 (c) EFFECTIVE DATE.—The amendments made by  
5 this section shall apply to taxable years ending on or after  
6 December 31, 1997.

