

105TH CONGRESS  
1ST SESSION

# H. R. 997

To amend the Internal Revenue Code of 1986 to allow expensing and rapid amortization of certain environmental remediation expenditures.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 1997

Mr. WELLER (for himself, Mr. LIPINSKI, Mr. CRANE, Mr. RUSH, Mr. FAWELL, Mr. JACKSON of Illinois, Mr. MANZULLO, Mr. GUTIERREZ, Mr. ENGLISH of Pennsylvania, Mr. BLAGOJEVICH, Mr. SHAYS, Mr. DAVIS of Illinois, Mr. COSTELLO, and Mr. EVANS) introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to allow expensing and rapid amortization of certain environmental remediation expenditures.

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. EXPENSING AND RAPID AMORTIZATION FOR**  
4 **CERTAIN ENVIRONMENTAL REMEDIATION**  
5 **EXPENDITURES.**

6 (a) IN GENERAL.—Part VI of subchapter B of chap-  
7 ter 1 of the Internal Revenue Code of 1986 (relating to

1 itemized deductions for individuals and corporations) is  
 2 amended by adding at the end the following new section:

3 **“SEC. 198. EXPENSING AND RAPID AMORTIZATION FOR**  
 4 **CERTAIN ENVIRONMENTAL REMEDIATION**  
 5 **EXPENDITURES.**

6 “(a) TREATMENT AS EXPENSES.—

7 “(1) IN GENERAL.—At the election of the tax-  
 8 payer, qualified environmental remediation expendi-  
 9 tures which are paid or incurred by the taxpayer  
 10 during the taxable year in connection with a trade  
 11 or business shall be treated as expenses which are  
 12 not chargeable to capital account. The expenditures  
 13 so treated shall be allowed as a deduction.

14 “(2) LIMITATION.—The amount treated under  
 15 paragraph (1) as an expense with respect to any  
 16 qualified contaminated site shall not exceed  
 17 \$500,000 for all taxable years.

18 “(3) CONTROLLED GROUPS.—Rules similar to  
 19 the rules of paragraphs (6), (7), and (8) of section  
 20 179(d) shall apply for purposes of this subsection.

21 “(b) 60-MONTH AMORTIZATION OF REMAINING EN-  
 22 VIRONMENTAL REMEDIATION EXPENDITURES.—

23 “(1) IN GENERAL.—At the election of the tax-  
 24 payer, qualified environmental remediation expendi-  
 25 tures—

1           “(A) which are paid or incurred by the  
2           taxpayer in connection with his trade or busi-  
3           ness, and

4           “(B) which are not treated as expenses  
5           under subsection (a),  
6           may be treated as deferred expenses.

7           “(2) AMORTIZATION OF DEFERRED EX-  
8           PENSES.—In computing taxable income, such de-  
9           ferred expenses shall be allowed as a deduction rat-  
10          ably over such period of not less than 60 months as  
11          may be selected by the taxpayer (beginning with the  
12          month in which the taxpayer pays or incurs such ex-  
13          penditures). Such deferred expenses shall be treated  
14          as expenditures which are properly chargeable to  
15          capital account for purposes of section 1016(a)(1)  
16          (relating to adjustments to basis of property).

17          “(c) CERTAIN PERSONS NOT ELIGIBLE.—A taxpayer  
18          shall not be eligible for the treatment under this section  
19          with respect to any qualified contaminated site if—

20                 “(1) at any time on or before the date of the  
21                 enactment of this section such taxpayer was the  
22                 owner or operator of any business on such site,

23                 “(2) at any time before, on, or after such date  
24                 of enactment such taxpayer—

1           “(A) had (by contract, agreement, or oth-  
2           erwise) arranged for the disposal or treatment  
3           of any hazardous materials at such site or ar-  
4           ranged with a transporter for transport for dis-  
5           posal or treatment of any hazardous materials  
6           at such site, or

7           “(B) had accepted any hazardous mate-  
8           rials for transport to such site, or

9           “(3) the taxpayer is related to any taxpayer re-  
10          ferred to in paragraph (1) or (2).

11          “(d) QUALIFIED ENVIRONMENTAL REMEDIATION  
12          EXPENDITURES.—For purposes of this section, the term  
13          ‘qualified environmental remediation expenditure’ means  
14          any amount (otherwise chargeable to capital account)  
15          which is paid or incurred by the taxpayer for environ-  
16          mental remediation with respect to any qualified contami-  
17          nated site which is owned by the taxpayer.

18          “(e) OTHER DEFINITIONS.—For purposes of this  
19          section—

20               “(1) QUALIFIED CONTAMINATED SITE.—

21                   “(A) IN GENERAL.—For purposes of this  
22                   subsection, the term ‘qualified contaminated  
23                   site’ means any site if the appropriate agency  
24                   certifies that at least 1 of the following environ-  
25                   mental conditions is present on such site:

1 “(i) A release or threatened release of  
2 any hazardous, toxic, or dangerous sub-  
3 stance.

4 “(ii) Any storage tanks which contain  
5 any hazardous, toxic, or dangerous sub-  
6 stance.

7 “(iii) Any illegal disposal of solid  
8 waste.

9 Such term shall not include any site listed on  
10 the National Priorities List under the Com-  
11 prehensive Environmental Response, Compensa-  
12 tion, and Liability Act of 1980.

13 “(B) APPROPRIATE AGENCY.—For pur-  
14 poses of subparagraph (A), the appropriate  
15 agency is—

16 “(i) the agency of the State in which  
17 the site is located which is designated by  
18 the Administrator of the Environmental  
19 Protection Agency for purposes of this  
20 paragraph, or

21 “(ii) if the agency described in clause  
22 (i) designates an agency of the local gov-  
23 ernment in which the site is located for  
24 purposes of this paragraph, such local gov-  
25 ernment agency.

1           “(2) HAZARDOUS, TOXIC, OR DANGEROUS SUB-  
2           STANCE.—Any substance, waste, or material shall be  
3           treated as a hazardous, toxic, or dangerous sub-  
4           stance if it is so treated under—

5                   “(A) the Comprehensive Environmental  
6           Response, Compensation, and Liability Act of  
7           1980 (42 U.S.C. 9601 et seq.),

8                   “(B) the Resource Conservation and Re-  
9           covery Act (42 U.S.C. 6901 et seq.), or

10                   “(C) any State or local environmental law  
11           or ordinance.

12           The following materials shall in any event be treated  
13           as such a substance: petroleum or crude oil or any  
14           derivative thereof, friable asbestos or any asbestos  
15           containing material, polychlorinated biphenyls, or  
16           urea formaldehyde foam insulation.

17           “(3) ENVIRONMENTAL REMEDIATION.—The  
18           term ‘environmental remediation’ means—

19                   “(A) removal or remediation activity, in-  
20           cluding soil and ground water remediation,

21                   “(B) restoration of natural, historic or cul-  
22           tural resources at the site, or the mitigation of  
23           unavoidable losses of such resources incurred in  
24           connection with the remediation or response ac-  
25           tivity,

1           “(C) health assessments or health effects  
2 studies,

3           “(D) environmental investigations,

4           “(E) remediation of off-site contamination  
5 caused by activity on the site, and

6           “(F) any other costs reasonably required  
7 by reason of the environmental conditions of the  
8 site, including demolition of existing contami-  
9 nated structures, site security, and permit fees  
10 necessary for remediation.

11          “(4) RELATED PERSON.—Persons shall be  
12 treated as related to each other if such persons are  
13 treated as a single employer under the regulations  
14 prescribed under section 52(b) or such persons bear  
15 a relationship to each other specified in section  
16 267(b) or 707(b).

17          “(f) LAND AND OTHER PROPERTY.—This section  
18 shall not apply to any expenditure for—

19           “(1) the acquisition or improvement of land, or

20           “(2) the acquisition or improvement of property  
21 of a character which is subject to the allowance  
22 under section 167 (relating to allowance for depre-  
23 ciation, etc.) or section 611 (relating to allowance

1 for depletion); except that, for purposes of this sec-  
2 tion, allowances under section 167, and allowances  
3 under section 611, shall be treated as expenditures.”

4 (b) CONFORMING AMENDMENTS.—

5 (1) Paragraph (14) of section 1016(a) of such  
6 Code is amended by inserting “, or under section  
7 198(b) (relating to qualified environmental remedi-  
8 ation expenditures),” after “expenditures”).

9 (2) Subparagraph (C) of section 1245(a)(2) of  
10 such Code is amended by striking “or 193” and in-  
11 serting “193, or 198”.

12 (3) Subparagraph (C) of section 1245(a)(3) of  
13 such Code is amended by striking “or 194” and in-  
14 serting “194, or 198”.

15 (4) The table of sections for part VII of sub-  
16 chapter B of chapter 1 of such Code is amended by  
17 adding at the end the following new item:

“Sec. 198. Expensing and rapid amortization for certain environ-  
mental remediation expenditures.”

18 (c) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to taxable years beginning after  
20 the date of the enactment of this Act.

○