

106TH CONGRESS
1ST SESSION

H. R. 677

To amend the Internal Revenue Code of 1986 to encourage the construction in the United States of luxury yachts, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 10, 1999

Mr. KENNEDY introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on Commerce, 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

A BILL

To amend the Internal Revenue Code of 1986 to encourage the construction in the United States of luxury yachts, 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,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Boat Building Invest-
5 ment Act of 1999”.

1 **SEC. 2. CREDIT FOR PURCHASE OF LUXURY YACHTS CON-**
2 **STRUCTED IN THE UNITED STATES.**

3 (a) IN GENERAL.—Subpart B of part IV of sub-
4 chapter A of chapter 1 of the Internal Revenue Code of
5 1986 is amended by inserting after section 30A the follow-
6 ing new section:

7 **“SEC. 30B. PURCHASE OF LUXURY YACHTS CONSTRUCTED**
8 **IN THE UNITED STATES.**

9 “(a) ALLOWANCE OF CREDIT.—There shall be al-
10 lowed as a credit against the tax imposed by this chapter
11 for the taxable year an amount equal to 20 percent of the
12 cost of any new domestic luxury yacht purchased by the
13 taxpayer during such year.

14 “(b) MAXIMUM CREDIT.—The amount of the credit
15 allowed by subsection (a) with respect to any yacht shall
16 not exceed \$2,000,000.

17 “(c) NEW DOMESTIC LUXURY YACHT.—For pur-
18 poses of this section, the term ‘new domestic luxury yacht’
19 means any yacht if—

20 “(1) the yacht is more than 50 feet in length,

21 “(2) substantially all of the value of which is
22 attributable to value added in the United States,

23 “(3) the original use of which commences with
24 the taxpayer, and

25 “(4) the yacht is designed, built, documented,
26 and registered in the United States.

1 “(d) APPLICATION WITH OTHER CREDITS; CARRY-
 2 OVER OF EXCESS CREDIT.—The credit allowed by sub-
 3 section (a) for any taxable year shall not exceed the excess
 4 (if any) of—

5 “(1) the regular tax for the taxable year re-
 6 duced by the sum of the credits allowable under sub-
 7 part A and the preceding sections of this subpart,
 8 over

9 “(2) the tentative minimum tax for the taxable
 10 year.

11 If the credit under subsection (a) exceeds the limitation
 12 of the preceding sentence, such excess shall be added to
 13 the credit allowable under subsection (a) for the succeed-
 14 ing taxable year.

15 “(e) RECAPTURE OF CREDIT IF YACHT CEASES TO
 16 BE DOCUMENTED, ETC., IN THE UNITED STATES.—

17 “(1) IN GENERAL.—If, during any taxable year,
 18 there is a recapture event with respect to any new
 19 domestic luxury yacht of the taxpayer, then the tax
 20 of the taxpayer under this chapter for such taxable
 21 year shall be increased by an amount equal to the
 22 product of—

23 “(A) the applicable recapture percentage,
 24 and

1 “(B) the aggregate decrease in the credits
 2 allowed under this section for all prior taxable
 3 years which would have resulted if no credit
 4 had been allowed under this section for the pur-
 5 chase of such yacht.

6 “(2) APPLICABLE RECAPTURE PERCENTAGE.—

7 “(A) IN GENERAL.—For purposes of this
 8 subsection, the applicable recapture percentage
 9 shall be determined from the following table:

“If the recapture event occurs in:	The applicable recapture percentage is:
Year 1	100
Year 2	85
Year 3	70
Year 4	55
Year 5	40
Year 6	25
Year 7	10
Years 8 and thereafter	0.

10 “(B) YEARS.—References to years in the
 11 table in subparagraph (A) are references to the
 12 consecutive 12-month periods beginning with
 13 the date the yacht is placed in service by the
 14 taxpayer.

15 “(3) RECAPTURE EVENT DEFINED.—For pur-
 16 poses of this subsection, the term ‘recapture event’
 17 means—

18 “(A) any sale or other disposition of the
 19 yacht, or

1 “(B) the documentation, registration,
2 maintenance, or storage of the yacht outside
3 the United States.

4 “(4) SPECIAL RULES.—

5 “(A) TAX BENEFIT RULE.—The tax for
6 the taxable year shall be increased under para-
7 graph (1) only with respect to credits allowed
8 by reason of this section which were used to re-
9 duce tax liability. In the case of credits not so
10 used to reduce tax liability, the carryforwards
11 under this section shall be appropriately ad-
12 justed.

13 “(B) NO CREDITS AGAINST TAX.—Any in-
14 crease in tax under this subsection shall not be
15 treated as a tax imposed by this chapter for
16 purposes of determining—

17 “(i) the amount of any credit under
18 subpart A, B, or D of this part, or

19 “(ii) the tax imposed by section 55.

20 “(f) REDUCTION IN BASIS.—For purposes of this
21 subtitle, rules similar to the rules of section 50(c) (other
22 than paragraph (3) thereof) shall apply to the credit al-
23 lowed under this section.”.

24 (b) CONFORMING AMENDMENTS.—

1 (1) Subsection (a) of section 1016 of such Code
 2 is amended by striking “and” at the end of para-
 3 graph (26), by striking the period at the end of
 4 paragraph (27) and inserting “, and”, and by add-
 5 ing at the end thereof the following new paragraph:

6 “(28) in the case of a yacht with respect to
 7 which credit was allowed under section 30B, to the
 8 extent provided in section 30B(f)(2).”.

9 (2) The table of sections for subpart B of part
 10 IV of subchapter A of chapter 1 of such Code is
 11 amended by inserting after the item relating to sec-
 12 tion 30A the following new item:

 “Sec. 30B. Purchase of luxury yachts constructed in the United
 States.”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to yachts purchased after the date
 15 of the enactment of this Act.

16 **SEC. 3. GRANTS TO ENCOURAGE PERSONS OUTSIDE THE**
 17 **UNITED STATES TO PURCHASE LUXURY**
 18 **YACHTS CONSTRUCTED IN THE UNITED**
 19 **STATES.**

20 (a) IN GENERAL.—The Secretary of Commerce shall
 21 establish a program under which grants are provided to
 22 entities for the purpose of—

23 (1) encouraging persons outside the United
 24 States to purchase luxury yachts (as defined in sec-

1 tion 30B of the Internal Revenue Code of 1986, as
2 added by section 2(a)) which are constructed in the
3 United States, and

4 (2) providing specialized education and training
5 for workers who construct such yachts.

6 (b) AUTHORIZATION.—There are authorized to be ap-
7 propriated \$25,000,000 for the purpose of carrying out
8 subsection (a). Amounts appropriated for any fiscal year
9 shall remain available under expended.

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