

106TH CONGRESS
1ST SESSION

S. 962

To allow a deduction from gross income for year 2000 computer conversion costs of small businesses.

IN THE SENATE OF THE UNITED STATES

MAY 5, 1999

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

A BILL

To allow a deduction from gross income for year 2000 computer conversion costs of small businesses.

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 “Small Business Y2K
5 Compliance Act of 1999”.

6 **SEC. 2. DEDUCTION FOR COSTS OF MAKING COMPUTERS**
7 **AND COMPUTER SOFTWARE YEAR 2000 COM-**
8 **PLIANT.**

9 (a) IN GENERAL.—

1 (1) PROPERTY PLACED IN SERVICE IN 1999.—

2 A taxpayer may elect to treat the cost of a business
3 Y2K asset placed in service during the taxpayer's
4 first taxable year beginning in 1999 as an expense
5 which is not chargeable to capital account. The cost
6 so treated shall be allowed as a deduction from gross
7 income for purposes of the Internal Revenue Code of
8 1986.

9 (2) PROPERTY PLACED IN SERVICE IN 1997 OR
10 1998.—A taxpayer may elect to deduct from gross in-
11 come an amount equal to the unrecovered basis of
12 a business Y2K asset placed in service during the 2
13 taxable years preceding the first taxable year begin-
14 ning in 1999 and which is otherwise subject to de-
15 preciation under such Code.

16 (b) LIMITATIONS.—

17 (1) IN GENERAL.—The aggregate amount al-
18 lowed as a deduction under subsection (a) shall not
19 exceed \$40,000.

20 (2) APPLICATION OF BUSINESS LIMITATIONS OF
21 SECTION 179.—Rules similar to the rules of para-
22 graphs (2), (3), and (4) of section 179(b) of such
23 Code shall apply for purposes of this section. For
24 purposes of the preceding sentence, the cost of prop-

erty to which the limitation in paragraph (2) of such section 179(b) applies shall be the sum of—

(A) the amounts elected under subsection (a)(1) with respect to property placed in service during the taxpayer's first taxable year beginning in 1999, and

(B) the amounts elected under subsection (a)(2) with respect to the unrecovered basis of business Y2K assets placed in service during the 2 taxable years preceding the first taxable year beginning in 1999.

(c) DEFINITIONS.—For purposes of this section—

(1) BUSINESS Y2K ASSET.—The term “business Y2K asset” means an asset acquired by purchase for use in the active conduct of a trade or business which is—

(A) any computer acquired to replace a computer where such replacement is necessary because of the year 2000 computer conversion problem, and

(B) any of the following items which are of a character subject to the allowance for depreciation under such Code:

1 (i) the modification of computer soft-
2 ware to address the year 2000 computer
3 conversion problem, and

4 (ii) computer software which is year
5 2000 compliant acquired to replace com-
6 puter software which is not so compliant.

7 (2) COMPUTER.—The term “computer” means
8 a computer or peripheral equipment (as defined by
9 section 168(i)(2)(B)) of such Code.

10 (3) COMPUTER SOFTWARE.—The term “com-
11 puter software” has the meaning given to such term
12 by section 167(f) of such Code.

13 (4) UNRECOVERED BASIS.—The term “unre-
14 covered basis” means the adjusted basis of the busi-
15 ness Y2K asset determined as of the close of the last
16 taxable year beginning before January 1, 1999.

17 (d) SPECIAL RULES.—

18 (1) IN GENERAL.—Rules similar to the rules of
19 subsections (c) and (d) (other than paragraph (1)
20 thereof) of section 179 of such Code shall apply for
21 purposes of this section.

22 (2) TREATMENT AS DEDUCTION UNDER SEC-
23 TION 179.—For purposes of the Internal Revenue
24 Code of 1986, the deduction allowed under this sec-

1 tion shall be treated in the same manner as a deduc-
2 tion allowed under section 179 of such Code.

3 (3) ORDERING RULE.—For purposes of section
4 179 of such Code, subsection (b)(3)(C) of such sec-
5 tion shall be applied without regard to the deduction
6 allowed under this section.

○