

107TH CONGRESS
1ST SESSION

S. 666

To amend the Internal Revenue Code of 1986 to allow the use of completed contract method of accounting in the case of certain long-term naval vessel construction contracts.

IN THE SENATE OF THE UNITED STATES

MARCH 30, 2001

Ms. SNOWE (for herself, Mr. LOTT, Mr. WARNER, Ms. COLLINS, Mr. COCHRAN, Ms. LANDRIEU, Mr. BREAUX, and Mr. TORRICELLI) 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 allow the use of completed contract method of accounting in the case of certain long-term naval vessel construction contracts.

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. MODIFICATION OF ACCOUNTING RULES FOR**
4 **CERTAIN NAVAL LONG-TERM CONSTRUCTION**
5 **CONTRACTS.**

6 (a) IN GENERAL.—Section 460(e)(1) of the Internal
7 Revenue Code of 1986 (relating to exception for certain

1 construction contracts) is amended by striking “or” at the
 2 end of subparagraph (A), by striking the period at the
 3 end of subparagraph (B) and inserting “, or”, and by in-
 4 serting after subparagraph (B) the following new subpara-
 5 graph:

6 “(C) a qualified naval construction con-
 7 tract for which an election is made under para-
 8 graph (7).”.

9 (b) QUALIFIED NAVAL CONSTRUCTION CONTRACT.—
 10 Section 460(e) of the Internal Revenue Code of 1986 is
 11 amended by adding at the end the following new para-
 12 graph:

13 “(7) QUALIFIED NAVAL CONSTRUCTION CON-
 14 TRACT.—

15 “(A) IN GENERAL.—A taxpayer may elect
 16 to use the completed contract method of ac-
 17 counting with respect to any qualified naval
 18 construction contract.

19 “(B) DEFINITIONS.—

20 “(i) QUALIFIED NAVAL CONSTRUC-
 21 TION CONTRACT.—For purposes of this
 22 subsection, the term ‘qualified naval con-
 23 struction contract’ means a contract—

24 “(I) entered into by the taxpayer
 25 with the Federal Government for the

1 building, construction, reconstruction,
2 or rehabilitation of a naval vessel, and

3 “(II) which the taxpayer esti-
4 mates (at the time such contract is
5 entered into) will be completed more
6 than 24 months after the contract
7 commencement date of such contract.

8 “(ii) NAVAL VESSEL.—For purposes
9 of clause (i), the term ‘naval vessel’ means
10 any vessel intended to be navigated in, on,
11 or under the water.

12 “(iii) COMPLETED.—For purposes of
13 this paragraph, the term ‘completed’
14 means upon issuance of a letter of accept-
15 ance or similar document by the Federal
16 Government.

17 “(C) EFFECT OF ELECTION.—An election
18 under this paragraph shall apply to all con-
19 tracts of the taxpayer which are entered into
20 during the taxable year in which the election is
21 made or any subsequent taxable year.

22 “(D) SEPARATE CONTRACT.—For pur-
23 poses of applying this paragraph, in the case of
24 a qualified naval construction contract which
25 covers more than 1 vessel, each vessel covered

1 by the contract shall be treated as a separate
2 contract for the purpose of applying the com-
3 pleted contract method, and the gross contract
4 price and the total contract costs shall be allo-
5 cated to each separate vessel contract in accord-
6 ance with regulations prescribed by the Sec-
7 retary.

8 “(E) EARNINGS AND PROFITS.—Section
9 312(n)(6) shall not apply to a taxpayer which
10 has made an election under this paragraph with
11 respect to a qualified naval construction con-
12 tract.”.

13 (c) EFFECTIVE DATE.—The amendments made by
14 this section shall apply with respect to contracts entered
15 into after December 31, 2000.

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