

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

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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