

108TH CONGRESS
1ST SESSION

H. R. 1126

To amend the Internal Revenue Code of 1986 to expand the expense treatment for small businesses and to reduce the depreciation recovery period for restaurant buildings and franchise operations, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

MARCH 6, 2003

Ms. GRANGER (for herself, Mr. WYNN, Mr. FROST, Mr. SCHROCK, Mr. CANNON, Ms. ROS-LEHTINEN, Mr. BOEHNER, Ms. GINNY BROWN-WAITE of Florida, Mr. ISAKSON, and Mr. CANTOR) 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 expand the expense treatment for small businesses and to reduce the depreciation recovery period for restaurant buildings and franchise operations, 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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Small Business Tax Fairness Act of 2003”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-

1 ment or repeal is expressed in terms of an amendment
2 to, or repeal of, a section or other provision, the reference
3 shall be considered to be made to a section or other provi-
4 sion of the Internal Revenue Code of 1986.

5 **SEC. 2. EXPANSION OF EXPENSE TREATMENT FOR SMALL**
6 **BUSINESSES.**

7 (a) IN GENERAL.—Section 179(b)(1) is amended to
8 read as follows:

9 “(1) DOLLAR LIMITATION.—

10 “(A) IN GENERAL.—The aggregate cost
11 which may be taken into account under sub-
12 section (a) for any taxable year shall not exceed
13 \$100,000.

14 “(B) INFLATION ADJUSTMENT.—In the
15 case of any taxable year beginning in a calendar
16 year after 2003, the dollar amount contained in
17 subparagraph (A) shall be increased by an
18 amount equal to—

19 “(i) such dollar amount, multiplied by

20 “(ii) the cost-of-living adjustment de-
21 termined under section 1(f)(3) for the cal-
22 endar year in which the taxable year be-
23 gins, by substituting ‘calendar year 2002’
24 for ‘calendar year 1992’ in subparagraph
25 (B) thereof.

1 If any amount as adjusted under this subpara-
2 graph is not a multiple of \$1,000, such amount
3 shall be rounded to the nearest multiple of
4 \$1,000.”.

5 (b) EXPANSION OF PHASE-OUT OF LIMITATION.—

6 Section 179(b)(2) is amended to read as follows:

7 “(2) REDUCTION IN LIMITATION.—

8 “(A) IN GENERAL.—The limitation under
9 paragraph (1) for any taxable year shall be re-
10 duced (but not below zero) by the amount by
11 which the cost of section 179 property for
12 which a deduction is allowable (without regard
13 to this subsection) under subsection (a) for
14 such taxable year exceeds \$400,000.

15 “(B) INFLATION ADJUSTMENT.—In the
16 case of any taxable year beginning in a calendar
17 year after 2003, the dollar amount contained in
18 subparagraph (A) shall be increased by an
19 amount equal to—

20 “(i) such dollar amount, multiplied by

21 “(ii) the cost-of-living adjustment de-
22 termined under section 1(f)(3) for the cal-
23 endar year in which the taxable year be-
24 gins, by substituting ‘calendar year 2002’

1 for ‘calendar year 1992’ in subparagraph
2 (B) thereof.

3 If any amount as adjusted under this subpara-
4 graph is not a multiple of \$10,000, such
5 amount shall be rounded to the nearest multiple
6 of \$10,000.”.

7 (c) TIME OF DEDUCTION.—The second sentence of
8 section 179(a) (relating to election to expense certain de-
9 preciable business assets) is amended by inserting “(or,
10 if the taxpayer elects, the preceding taxable year if the
11 property was purchased in such preceding year)” after
12 “service”.

13 (d) COMPUTER SOFTWARE ELIGIBLE FOR EXPENS-
14 ING.—

15 (1) IN GENERAL.—The heading and first sen-
16 tence of section 179(d)(1) are amended to read as
17 follows:

18 “(1) SECTION 179 PROPERTY.—For purposes of
19 this section, the term ‘section 179 property’ means
20 property—

21 “(A) which is—

22 “(i) tangible property to which section
23 168 applies, or

1 “(ii) computer software (as defined in
2 section 197(e)(3)(B)) to which section 167
3 applies,

4 “(B) which is section 1245 property (as
5 defined in section 1245(a)(3)), and

6 “(C) which is acquired by purchase for use
7 in the active conduct of a trade or business.”.

8 (2) NO COMPUTER SOFTWARE INCLUDED AS
9 SECTION 197 INTANGIBLE.—

10 (A) IN GENERAL.—Section 197(e)(3)(A) is
11 amended to read as follows:

12 “(A) IN GENERAL.—Any computer soft-
13 ware.”.

14 (B) CONFORMING AMENDMENT.—Section
15 167(f)(1)(B) is amended by striking “; except
16 that such term shall not include any such soft-
17 ware which is an amortizable section 197 intan-
18 gible”.

19 (e) EFFECTIVE DATE.—The amendments made by
20 this section shall apply to taxable years beginning after
21 December 31, 2002.

1 **SEC. 3. DEPRECIATION RECOVERY PERIOD FOR RES-**
 2 **TAURANT BUILDINGS AND FRANCHISE OPER-**
 3 **ATIONS.**

4 (a) 15-YEAR RECOVERY PERIOD.—Section
 5 168(e)(3)(E) (relating to 15-year property) is amended by
 6 striking “and” at the end of clause (ii), by striking the
 7 period at the end of clause (iii) and inserting a comma,
 8 and by adding at the end the following new clause:

9 “(iv) any section 1250 property which
 10 is a retail restaurant facility or an im-
 11 provement thereto.”.

12 (b) RETAIL RESTAURANT FACILITY.—Section 168(e)
 13 (relating to classification of property) is amended by add-
 14 ing at the end the following new paragraph:

15 “(6) RETAIL RESTAURANT FACILITY.—The
 16 term ‘retail restaurant facility’ means any building
 17 if—

18 “(A) more than 50 percent of the build-
 19 ing’s square footage is devoted to preparation
 20 of, and seating for on-premises consumption of,
 21 prepared meals, and

22 “(B) the building is owned by—

23 “(i) the person operating the meal
 24 preparation facility in such building, or

25 “(ii) a person who is related (within
 26 the meaning of section 267(b) or

1 707(b)(1)) to the person described in
 2 clause (i).”.

3 (c) ALTERNATIVE SYSTEM.—The table contained in
 4 section 168(g)(3)(B) is amended by inserting after the
 5 item relating to subparagraph (E)(iii) the following new
 6 item:

“ (E)(iv) 15”.

7 (d) EFFECTIVE DATE.—The amendments made by
 8 this section shall apply to property placed in service after
 9 the date of the enactment of this Act and to all improve-
 10 ments made after the date of enactment.

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