108TH CONGRESS
1ST SESSION

H. R. 1232

To amend the Internal Revenue Code of 1986 to shorten the recovery period for the depreciation of certain property.

IN THE HOUSE OF REPRESENTATIVES

MARCH 12, 2003

Mr. DREIER introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to shorten the recovery period for the depreciation of certain property.

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 "Technology Investment

5 Incentive Act of 2003".

6 **SEC. 2. EXPENSING OF SOFTWARE AND QUALIFIED TECH-**

7 **NOLOGICAL EQUIPMENT.**

8 (a) IN GENERAL.—Part VI of subchapter B of chap-

9 ter 1 of the Internal Revenue Code of 1986 is amended

10 by inserting after section 179A the following new section:

1 **"SEC. 179B. EXPENSING OF SOFTWARE AND QUALIFIED**

2   **TECHNOLOGICAL EQUIPMENT.**

3   "(a) TREATMENT AS EXPENSES.—A taxpayer may

4 elect to treat the cost of any section 179B property as

5 an expense which is not chargeable to capital account. Any

6 cost so treated shall be allowed as a deduction for the tax-

7 able year in which the section 179B property is placed

8 in service.

9   "(b) SECTION 179B PROPERTY.—For purposes of

10 this section—

11   "(1) IN GENERAL.—The term 'section 179B

12   property' means property—

13   "(A)(i) which is qualified technological

14   equipment (as defined in section 168(i)(2)) to

15   which section 168 applies, or

16   "(ii) which is qualified computer software

17   to which section 167 applies,

18   "(B) which is section 1245 property (as

19   defined in section 1245(a)(3)),

20   "(C) which is acquired by purchase (as de-

21   fined in section 179(b)(2)) after the date of the

22   enactment of this section and before September

23   11, 2004, for use in the active conduct of a

24   trade or business, and

25   "(D) which is placed in service on or be-

26   fore September 11, 2004.

1 "(2) QUALIFIED COMPUTER SOFTWARE.—The

2 term 'qualified computer software' means computer

3 software (as defined in section 197(e)(3)(B)) which

4 is described in section 197(e)(3)(A)(i).

5 "(c) PROPERTY USED OUTSIDE THE UNITED

6 STATES NOT QUALIFIED.—No deduction shall be allowed

7 under subsection (a) with respect to property which is

8 used predominantly outside the United States or with re-

9 spect to the portion of the cost of any property taken into

10 account under section 179.

11 "(d) BASIS REDUCTION.—

12 "(1) IN GENERAL.—For purposes of this title,

13 the basis of any property shall be reduced by the

14 amount of the deduction with respect to such prop-

15 erty which is allowed by subsection (a).

16 "(2) ORDINARY INCOME RECAPTURE.—For

17 purposes of section 1245, the amount of the deduc-

18 tion allowable under subsection (a) with respect to

19 any property that is of a character subject to the al-

20 lowance for depreciation shall be treated as a deduc-

21 tion allowed for depreciation under section 167.".

22 (b) CONFORMING AMENDMENTS.—

23 (1) Section 263(a)(1) of such Code is amended

24 by striking "or" at the end of subparagraph (G), by

25 striking the period at the end of subparagraph (H)

1 and inserting ", or", and by inserting after subpara-

2 graph (H) the following new subparagraph:

3   "(I) expenditures for which a deduction is

4   allowed under section 179B.".

5   (2) Section 312(k)(3)(B) of such Code is

6 amended by striking "or 179A" each place it ap-

7 pears in the heading and text and inserting ", 179A,

8 or 179B".

9   (3) Section 1016(a) of such Code is amended

10 by striking "and" at the end of paragraph (29), by

11 striking the period at the end of paragraph (30) and

12 inserting ", and", and by inserting after paragraph

13 (30) the following new paragraph:

14   "(31) to the extent provided in section

15   179B(d)(1),".

16   (4) Section 1245(a) of such Code is amended

17 by inserting "179B," after "179A," both places it

18 appears in paragraphs (2)(C) and (3)(C).

19   (5) The table of contents for subpart B of part

20 IV of subchapter A of chapter 1 of such Code is

21 amended by inserting after the item relating to sec-

22 tion 179A the following new item:

"Sec. 179B. Expensing of software and qualified technological equipment.".

1   (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years ending after the
3 date of the enactment of this Act.

4 **SEC. 3. 3-YEAR DEPRECIATION OF WIRELESS TELE-**
5   **COMMUNICATIONS EQUIPMENT, ADVANCED**
6   **SERVICES EQUIPMENT, NETWORK OR NET-**
7   **WORK SYSTEM EQUIPMENT, AND RESEARCH**
8   **EXPENSES FOR SOFTWARE DEVELOPMENT.**

9   (a) IN GENERAL.—Subsection (e) of section 168 of
10 the Internal Revenue Code of 1986 (relating to classifica-
11 tion of property) is amended by adding after paragraph
12 (5) the following new paragraph:

13   "(6) CERTAIN PROPERTY TREATED AS 3-YEAR
14   PROPERTY.—

15   "(A) IN GENERAL.—The term '3-year
16   property' includes property—

17   "(i) described in subparagraph (B),
18   (C), or (D),

19   "(ii) acquired by purchase (as defined
20   in section 179(b)(2)) after the date of the
21   enactment of this paragraph and on or be-
22   fore September 11, 2004, and

23   "(iii) placed in service on or before
24   September 11, 2004.

1   "(B) WIRELESS TELECOMMUNICATIONS

2   EQUIPMENT.—Property is described in this sub-

3   paragraph if such property is equipment used

4   in the transmission, reception, coordination, or

5   switching of wireless telecommunications serv-

6   ice.

7   "(C) ADVANCED SERVICES EQUIPMENT.—

8   Property is described in this subparagraph if

9   such property is equipment (excluding cabling)

10   used in the provision of Internet or electronic

11   communications access services or support, or

12   which supports access to electronic media and

13   data and associated communications support,

14   provided that such services or support, con-

15   stitute or directly contribute to the provisions of

16   advanced telecommunications capability.

17   "(D) NETWORK OR NETWORK SYSTEM

18   EQUIPMENT.—Property is described in this sub-

19   paragraph if such property is information tech-

20   nology equipment, including computer servers,

21   hubs, bridges, switches and routers, which are

22   interconnected so as to enable computers and

23   peripherals to communicate with each other ei-

24   ther individually or as a single unit.

1   "(E) TREATMENT UNDER ALTERNATIVE

2   SYSTEM.—Property treated as 3-year property

3   by this paragraph shall be treated as having a

4   class life of 3 years for purposes of subsection

5   (g)."

6   (b) RESEARCH EXPENSES FOR SOFTWARE DEVELOP-

7 MENT.—Subsection (b) of section 174 of such Code is

8 amended by adding at the end the following new para-

9 graph:

10   "(3) EXPENDITURES FOR SOFTWARE DEVELOP-

11   MENT.—Paragraph (1) shall be applied by sub-

12   stituting '36 months' for '60 months' in the case of

13   expenditures for software development which are

14   made after the date of the enactment of this para-

15   graph and before September 11, 2004."

16   (c) EFFECTIVE DATE.—The amendments made by

17 this section shall apply to taxable years ending after the

18 date of the enactment of this Act.

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