

109TH CONGRESS
1ST SESSION

H. R. 2319

To amend the Internal Revenue Code of 1986 to allow taxpayers to expense property eligible for bonus depreciation.

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 2005

Mr. WELLER 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 allow taxpayers to expense property eligible for bonus depreciation.

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. EXPENSING OF PROPERTY ELIGIBLE FOR**
4 **BONUS DEPRECIATION.**

5 (a) IN GENERAL.—So much of subsection (k) of sec-
6 tion 168 of the Internal Revenue Code of 1986 (relating
7 to special allowance for certain property acquired after
8 September 10, 2001, and before January 1, 2005) as pre-
9 cedes paragraph (2)(D) thereof is amended to read as fol-
10 lows:

1 “(k) EXPENSING OF CERTAIN PROPERTY ACQUIRED
2 AFTER MAY 12, 2005.—

3 “(1) IN GENERAL.—In the case of any qualified
4 property—

5 “(A) the depreciation deduction provided
6 by section 167(a) for the taxable year in which
7 such property is placed in service shall include
8 an allowance equal to 100 percent of the ad-
9 justed basis of the qualified property, and

10 “(B) the adjusted basis of the qualified
11 property shall be reduced by the amount of
12 such deduction before computing the amount
13 otherwise allowable as a depreciation deduction
14 under this chapter for such taxable year and
15 any subsequent taxable year.

16 “(2) QUALIFIED PROPERTY.— For purposes of
17 this subsection—

18 “(A) IN GENERAL.—The term ‘qualified
19 property’ means property—

20 “(i)(I) to which this section applies
21 which has a recovery period of 20 years or
22 less,

23 “(II) which is computer software (as
24 defined in section 167(f)(1)(B)) for which

1 a deduction is allowable under section
2 167(a) without regard to this subsection,

3 “(III) which is water utility property,

4 or

5 “(IV) which is qualified leasehold im-
6 provement property,

7 “(ii) the original use of which com-
8 mences with the taxpayer after May 12,
9 2005,

10 “(iii) which is acquired by the tax-
11 payer after such date, but only if no writ-
12 ten binding contract for the acquisition
13 was in effect on or before such date.

14 “(B) CERTAIN AIRCRAFT.—The term
15 ‘qualified property’ includes property—

16 “(i) which meets the requirements of
17 clauses (ii) and (iii) of subparagraph (A),

18 “(ii) which is an aircraft which is not
19 used in the trade or business of trans-
20 porting persons or property other than for
21 agricultural or firefighting purposes,

22 “(iii) which is purchased and on which
23 such purchaser, at the time of the contract
24 for purchase, has made a nonrefundable
25 deposit of the lesser of—

1 “(I) 10 percent of the cost, or
2 “(II) \$100,000, and
3 “(iv) which has—
4 “(I) an estimated production pe-
5 riod exceeding 4 months, and
6 “(II) a cost exceeding
7 \$200,000.”.

8 (b) TECHNICAL AMENDMENTS.—

9 (1) Paragraph (2) of section 168(k) of such
10 Code is amended by redesignating subparagraphs
11 (D), (E), (F), and (G) as subparagraphs (C), (D),
12 (E), and (F), respectively.

13 (2) Subparagraph (C) of section 168(k)(2) of
14 such Code, as redesignated by paragraph (1), is
15 amended by striking the last sentence of clause (iii),
16 by striking clause (ii), and by redesignating clause
17 (iii) as clause (ii).

18 (3) Clause (i) of section 168(k)(2)(D) of such
19 Code, as so redesignated, is amended by striking
20 “and before January 1, 2005”.

21 (4) Subparagraph (D) of section 168(k)(2) of
22 such Code, as so redesignated, is amended by strik-
23 ing “September 10, 2001” each place it appears and
24 inserting.

1 (5) Clause (i) of section 168(k)(2)(E) of such
2 Code, as so redesignated, is amended by striking
3 “\$4,600” and inserting “\$14,540”.

4 (6) Section 168(k) of such Code is amended by
5 striking paragraph (4).

6 (c) EFFECTIVE DATE.—The amendments made by
7 this section shall apply to property placed in service after
8 May 12, 2005.

9 **SEC. 2. LONG-TERM CONTRACT ACCOUNTING.**

10 (a) IN GENERAL.—Section 168(k)(2) of the Internal
11 Revenue Code of 1986 is amended by adding after sub-
12 paragraph (F), as redesignated by section 1, the following
13 new subparagraph:

14 “(F) LONG-TERM CONTRACT ACCOUNT-
15 ING.—The percentage of completion method
16 under section 460 shall be applied as if this
17 subsection had not been enacted.”.

18 **SEC. 3. ELECTION TO INCREASE MINIMUM TAX CREDIT**
19 **LIMITATION IN LIEU OF BONUS DEPRECI-**
20 **ATION.**

21 (a) IN GENERAL.—Section 53 of the Internal Rev-
22 enue Code of 1986 (relating to credit for prior year min-
23 imum tax liability) is amended by adding at the end of
24 the following new subsection:

1 “(e) ADDITIONAL CREDIT IN LIEU OF BONUS DE-
2 PRECIATION.—

3 “(1) IN GENERAL.—In the case of a corpora-
4 tion making an election under this subsection for a
5 taxable year, the limitation under subsection (e)
6 shall be increased by an amount equal to the bonus
7 depreciation amount.

8 “(2) BONUS DEPRECIATION AMOUNT.—For
9 purposes of paragraph (1), the bonus depreciation
10 amount for any taxable year is an amount equal to
11 the product of—

12 “(A) 35 percent, and

13 “(B) the excess (if any) of—

14 “(i) the aggregate amount of depre-
15 ciation which would be determined under
16 section 167 for property placed in service
17 during such taxable year if no election
18 under this subsection were made, over

19 “(ii) the aggregate allowance for de-
20 preciation allowable with respect to such
21 property placed in service for such taxable
22 year.

23 “(3) ELECTION.—Section 168(k) (other than
24 paragraph (2)(E) thereof) shall not apply to any
25 property placed in service during a taxable year by

1 a corporation making an election under this sub-
2 section for such taxable year. An election under this
3 subsection may only be revoked with the consent of
4 the Secretary.

5 “(4) CREDIT REFUNDABLE.—The aggregate in-
6 crease in the credit allowed by this section for any
7 taxable year by reason of this subsection shall for
8 purposes of this title (other than subsection (b)(2)
9 of this section) be treated as a credit allowed to the
10 taxpayer under subpart C.”.

11 (b) CONFORMING AMENDMENTS.—Subsection (k) of
12 section 168 of such Code is amended by adding at the
13 end the following new paragraph:

14 “(4) CROSS REFERENCE.—For an election to
15 claim certain minimum tax credits in lieu of the al-
16 lowance determined under this subsection, see sec-
17 tion 53(e).”.

18 **SEC. 4. EFFECTIVE DATE.**

19 The amendments made by this Act shall apply to tax-
20 able years ending after May 12, 2005.

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