

109TH CONGRESS
1ST SESSION

H. R. 3983

To amend the Internal Revenue Code of 1986 to provide incentives to restore and increase oil and natural gas production.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 6, 2005

Mr. ENGLISH of Pennsylvania 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 provide incentives to restore and increase oil and natural gas production.

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 “Winter Readiness Act
5 of 2005”.

1 **SEC. 2. TEMPORARY EXPENSING OF OIL AND NATURAL GAS**
 2 **EXPLORATION AND PRODUCTION PROPERTY**
 3 **AND OF COSTS TO REPAIR DAMAGES TO**
 4 **SUCH PROPERTY FROM 2005 HURRICANES.**

5 (a) IN GENERAL.—Part VI of subchapter B of chap-
 6 ter 1 of the Internal Revenue Code of 1986 is amended
 7 by inserting after section 179D the following new section:

8 **“SEC. 179E. TEMPORARY EXPENSING OF OIL AND NATURAL**
 9 **GAS EXPLORATION AND PRODUCTION PROP-**
 10 **ERTY AND OF COSTS TO REPAIR DAMAGES**
 11 **TO SUCH PROPERTY FROM 2005 HURRI-**
 12 **CANES.**

13 “(a) TREATMENT AS EXPENSES.—At the election of
 14 the taxpayer, there shall be allowed as a deduction an
 15 amount equal to the cost paid or incurred by the taxpayer
 16 during the taxable year—

17 “(1) for qualified oil and gas production prop-
 18 erty, and

19 “(2) for repairs to property described in sub-
 20 section (b)(1)(B) on account of hurricane-related
 21 damage arising from any Presidentially declared dis-
 22 aster (as defined in section 1033(h)(3)(A)) during
 23 2005.

24 The deduction under paragraph (1) with respect to any
 25 property shall be allowed for the taxable year in which
 26 such property is placed in service.

1 “(b) QUALIFIED OIL AND GAS PRODUCTION PROP-
2 PERTY.—For purposes of this section—

3 “(1) IN GENERAL.—The term ‘qualified oil and
4 gas production property’ means any property—

5 “(A) the original use of which begins with
6 the taxpayer, and

7 “(B) which is described in any of the fol-
8 lowing assets classes under Revenue Procedure
9 87–56:

10 “(i) 13.0 (relating to assets used in
11 offshore drilling for oil and gas).

12 “(ii) 13.1 (relating to drilling of oil
13 and gas wells).

14 “(iii) 13.2 (relating to exploration for
15 and production of petroleum and natural
16 gas deposits).

17 “(2) APPLICATION OF SECTION.—This section
18 shall apply to any property only if—

19 “(A)(i) no written binding contract for the
20 construction of such property was in effect on
21 or before [date of introduction], or

22 “(ii) in the case of self-constructed prop-
23 erty, the construction of such property did not
24 commence on or before such date, and

1 “(B) such property is placed in service be-
2 fore January 1, 2009.

3 “(3) SPECIAL RULE FOR SALE-LEASEBACKS.—
4 For purposes of paragraph (1)(A), if property is—

5 “(A) originally placed in service after the
6 date of the enactment of this section by a per-
7 son, and

8 “(B) sold and leased back by such person
9 within 3 months after the date such property
10 was originally placed in service,

11 such property shall be treated as originally placed in
12 service not earlier than the date on which such prop-
13 erty is used under the leaseback referred to in sub-
14 paragraph (B).

15 “(c) BASIS REDUCTION.—

16 “(1) IN GENERAL.—For purposes of this title,
17 the basis of any property shall be reduced by the
18 portion of the cost of such property taken into ac-
19 count under subsection (a).

20 “(2) ORDINARY INCOME RECAPTURE.—For
21 purposes of section 1245, the amount of the deduc-
22 tion allowable under subsection (a) with respect to
23 any property which is of a character subject to the
24 allowance for depreciation shall be treated as a de-
25 duction allowed for depreciation under section 167.

1 “(d) ELECTION.—

2 “(1) IN GENERAL.—An election under this sec-
3 tion for any taxable year shall be made on the tax-
4 payer’s return of the tax imposed by this chapter for
5 the taxable year.

6 “(2) ELECTION IRREVOCABLE.—Any election
7 made under this section may not be revoked except
8 with the consent of the Secretary.

9 “(e) ELECTION TO ALLOCATE DEDUCTION TO COOP-
10 ERATIVE OWNER.—A rule similar to the rule of section
11 179C(g) shall apply for purposes of this section.”.

12 (b) CONFORMING AMENDMENTS.—

13 (1) Section 263(a)(1) of such Code is amended
14 by striking “or” at the end of subparagraph (J), by
15 striking the period at the end of subparagraph (K)
16 and inserting “, or”, and by inserting after subpara-
17 graph (K) the following new subparagraph:

18 “(L) expenditures for which a deduction is
19 allowed under section 179E.”.

20 (2) Section 263A(c)(3)(B) of such Code is
21 amended by inserting “179E,” after “179B,”.

22 (3) Section 312(k)(3)(B) of such Code is
23 amended by striking “or 179D” each place it ap-
24 pears in the heading and text and inserting “179D,
25 or 179E”.

1 (4) Section 1016(a) of such Code is amended
 2 by striking “and” at the end of paragraph (36), by
 3 striking the period at the end of paragraph (37) and
 4 inserting “, or”, and by adding at the end the fol-
 5 lowing new paragraph:

6 “(38) to the extent provided in section
 7 179E(c).”.

8 (5) Section 1245(a) of such Code is amended
 9 by inserting “179E,” after “179D,” both places it
 10 appears in paragraphs (2)(C) and (3)(C).

11 (6) The table of sections for part VI of sub-
 12 chapter B of chapter 1 of such Code is amended by
 13 inserting after the item relating to section 179C the
 14 following new item:

“Sec. 179E. Temporary expensing of oil and natural gas exploration and pro-
 duction property and of costs to repair damages to such prop-
 erty from 2005 hurricanes.”.

15 (c) EFFECTIVE DATE.—The amendments made by
 16 this section shall apply to costs paid or incurred after the
 17 date of the enactment of this Act in taxable years ending
 18 after such date.

19 **SEC. 3. 10-YEAR CARRYBACK OF NET OPERATING LOSSES**
 20 **FROM 2005 HURRICANE-DAMAGED OIL AND**
 21 **GAS FACILITIES.**

22 (a) IN GENERAL.—Paragraph (1) of section 172(b)
 23 of the Internal Revenue Code of 1986 (relating to net op-

erating loss deduction) is amended by adding at the end
the following new subparagraph:

“(J) 2005 LOSSES FROM HURRICANE-DAMAGED OIL AND GAS FACILITIES.—In the case of a taxpayer which has a 2005 hurricane-damaged oil and gas facility loss (as defined in subsection (j)) for a taxable year, such loss shall be a net operating loss carryback to each of the 10 taxable years preceding the taxable year of such loss.”.

(b) 2005 Hurricane-Damaged Oil and Gas Facility Loss.—Section 172 of such Code is amended by redesignating subsections (j) and (k) as subsections (k) and (l), respectively, and by inserting after subsection (i) the following new subsection:

“(j) 2005 Hurricane-Damaged Oil and Gas Facility Loss.—For purposes of this section—

“(1) IN GENERAL.—The term ‘2005 hurricane-damaged oil and gas facility loss’ means the lesser of—

“(A) the amount of the net operating loss for such taxable year, or

“(B) the sum of—

“(i) the amount of the loss allowed by section 165 for the taxable year for any

1 loss sustained by reason of hurricane-re-
2 lated damage—

3 “(I) arising from any Presi-
4 dentially declared disaster (as defined
5 in section 1033(h)(3)(A)) during
6 2005, and

7 “(II) to any property of the tax-
8 payer which is described in section
9 179E(b)(1)(B), and

10 “(ii) the deduction allowed by section
11 179E(a)(2) for the taxable year.

12 “(2) COORDINATION WITH SUBSECTION
13 (b)(2).—For purposes of applying subsection (b)(2),
14 a 2005 hurricane-damaged oil and gas facility loss
15 for any taxable year shall be treated in a manner
16 similar to the manner in which a specified liability
17 loss is treated.

18 “(3) ELECTION.—Any taxpayer entitled to a
19 10-year carryback under subsection (b)(1)(J) from
20 any loss year may elect to have the carryback period
21 with respect to such loss year determined without re-
22 gard to subsection (b)(1)(J). Such election shall be
23 made in such manner as may be prescribed by the
24 Secretary and shall be made by the due date (includ-
25 ing extensions of time) for filing the taxpayer’s re-

1 turn for the taxable year of the net operating loss.

2 Such election, once made for any taxable year, shall

3 be irrevocable for such taxable year.”.

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

5 this section shall apply to net operating losses for taxable

6 years ending after the date of the enactment of this Act.

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