

110TH CONGRESS  
1ST SESSION

# H. R. 3900

To amend the Internal Revenue Code of 1986 to exempt from tax income from domestic manufacturing activities.

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IN THE HOUSE OF REPRESENTATIVES

OCTOBER 18, 2007

Mr. HUNTER 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 exempt from tax income from domestic manufacturing activities.

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 “Restore U.S. Manufac-  
5 turing Act of 2007”.

6 **SEC. 2. DOMESTIC MANUFACTURING INCOME EXEMPT**  
7 **FROM TAX.**

8 (a) IN GENERAL.—Part VI of subchapter B of chap-  
9 ter 1 of the Internal Revenue Code of 1986 (relating to

1 itemized deductions for individuals and corporations) is  
2 amended by adding at the end the following new section:

3 **“SEC. 200. INCOME ATTRIBUTABLE TO DOMESTIC MANU-**  
4 **FACTURING ACTIVITIES.**

5 “(a) ALLOWANCE OF DEDUCTION.—There shall be  
6 allowed as a deduction an amount equal to 100 percent  
7 of the lesser of—

8 “(1) the qualified manufacturing activities in-  
9 come of the taxpayer for the taxable year, or

10 “(2) taxable income (determined without regard  
11 to this section) for the taxable year.

12 “(b) QUALIFIED MANUFACTURING ACTIVITIES IN-  
13 COME.—For purposes of this section—

14 “(1) IN GENERAL.—The term ‘qualified manu-  
15 facturing activities income’ for any taxable year  
16 means an amount equal to the excess (if any) of—

17 “(A) the taxpayer’s domestic manufac-  
18 turing gross receipts for such taxable year, over

19 “(B) the sum of—

20 “(i) the cost of goods sold that are al-  
21 locable to such receipts, and

22 “(ii) other expenses, losses, or deduc-  
23 tions (other than the deduction allowed  
24 under this section), which are properly al-  
25 locable to such receipts.

1           “(2) ALLOCATION METHOD.—The Secretary  
2 shall prescribe rules for the proper allocation of  
3 items described in paragraph (1) for purposes of de-  
4 termining qualified manufacturing activities income.  
5 Such rules shall provide for the proper allocation of  
6 items whether or not such items are directly allo-  
7 cable to domestic manufacturing gross receipts.

8           “(3) SPECIAL RULES FOR DETERMINING  
9 COSTS.—Rules similar to the rules of section  
10 199(c)(3) shall apply for purposes of this subsection.

11           “(4) DOMESTIC MANUFACTURING GROSS RE-  
12 CEIPTS.—

13           “(A) IN GENERAL.—The term ‘domestic  
14 manufacturing gross receipts’ means the gross  
15 receipts of the taxpayer which are derived from  
16 any lease, rental, license, sale, exchange, or  
17 other disposition of qualifying manufacturing  
18 property which was manufactured or produced  
19 by the taxpayer in whole or in significant part  
20 within the United States.

21           “(B) EXCEPTION FOR INHERENTLY DO-  
22 MESTIC ACTIVITIES.—Such term shall not in-  
23 clude gross receipts of the taxpayer which are  
24 derived from inherently domestic activities, in-  
25 cluding—

1                   “(i) the raising or harvesting of any  
2                   agricultural or horticultural commodity,

3                   “(ii) the cutting of trees,

4                   “(iii) the extraction of ores or min-  
5                   erals,

6                   “(iv) the production of electricity, nat-  
7                   ural gas, or potable water, and

8                   “(v) the construction of real property.

9                   “(5) QUALIFIED MANUFACTURING PROP-  
10                  PERTY.—The term ‘qualified manufacturing property’  
11                  means—

12                   “(A) tangible personal property,

13                   “(B) any computer software,

14                   “(C) any qualified film (as defined in sec-  
15                  tion 199(e)(6)), and

16                   “(D) any property described in section  
17                  168(f)(4).

18                  “(c) SPECIAL RULES.—

19                   “(1) APPLICATION TO INDIVIDUALS.—In the  
20                  case of an individual, subsection (a)(2) shall be ap-  
21                  plied by substituting ‘adjusted gross income’ for  
22                  ‘taxable income’. For purposes of the preceding sen-  
23                  tence, adjusted gross income shall be determined—

24                   “(A) after application of sections 86, 135,  
25                  137, 199, 219, 221, 222, and 469, and

1 “(B) without regard to this section.

2 “(2) CERTAIN RULES TO APPLY.—Rules similar  
3 to the following rules shall apply for purposes of this  
4 section:

5 “(A) Subparagraphs (C) and (D) of sec-  
6 tion 199(c)(4) (relating to government con-  
7 tracts and certain partnerships).

8 “(B) Section 199(c)(7) (relating to related  
9 persons).

10 “(C) Section 199(d) (relating to definitions  
11 and special rules) other than paragraph (2).”.

12 (b) COORDINATION WITH SECTION 199.—

13 (1) Paragraph (4) of section 199(c) of such  
14 Code is amended by redesignating subparagraphs  
15 (B), (C), and (D) as subparagraphs (C), (D), and  
16 (E), respectively, and by inserting after subpara-  
17 graph (A) the following new subparagraph:

18 “(B) EXCEPTION FOR DOMESTIC MANU-  
19 FACTURING GROSS RECEIPTS.—Such term shall  
20 not include domestic manufacturing gross re-  
21 ceipts (as defined in section 200(b)(4)).”.

22 (2) The heading for subparagraph (C) of sec-  
23 tion 199(c)(4) of such Code, as redesignated by  
24 paragraph (1), is amended by striking “EXCEP-  
25 TIONS” and inserting “OTHER EXCEPTIONS”.

1 (c) MINIMUM TAX.—Section 56(g)(4)(C) of such  
2 Code (relating to disallowance of items not deductible in  
3 computing earnings and profits) is amended by adding at  
4 the end the following new clause:

5 “(vi) DEDUCTION FOR DOMESTIC  
6 MANUFACTURING.—Clause (i) shall not  
7 apply to any amount allowable as a deduc-  
8 tion under section 200.”.

9 (d) TECHNICAL AMENDMENTS.—

10 (1) Sections 86(b)(2)(A), 135(c)(4)(A),  
11 137(b)(3)(A), and 219(g)(3)(A)(ii) of such Code are  
12 each amended by inserting “200,” before “221”.

13 (2) Clause (i) of section 221(b)(2)(C) of such  
14 Code is amended by inserting by inserting “200,”  
15 before “222”.

16 (3) Clause (i) of section 222(b)(2)(C) of such  
17 Code is amended by inserting “199,” before “911”.

18 (4) Paragraph (1) of section 246(b) of such  
19 Code is amended by inserting “200,” after “199,”.

20 (5) Clause (iii) of section 469(i)(3)(F) of such  
21 Code is amended by inserting “200,” before “219,”.

22 (6) Subsection (a) of section 613 of such Code  
23 is amended by striking “the deduction under section  
24 199” and inserting “the deductions under section  
25 199 and 200”.

1           (7) Paragraph (16) of section 1402(a) of such  
2 Code is amended by striking “the deduction provided  
3 by section 199” and inserting “the deductions pro-  
4 vided by sections 199 and 200”.

5           (8) The table of sections for part VI of sub-  
6 chapter B of chapter 1 of such Code is amended by  
7 adding at the end the following new item:

“Sec. 200. Income attributable to domestic manufacturing activities.”.

8           (e) EFFECTIVE DATE.—The amendments made by  
9 this section shall apply to taxable years beginning after  
10 the date of the enactment of this Act.

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