

110TH CONGRESS  
1ST SESSION

# S. 1361

To amend the Internal Revenue Code of 1986 to permanently extend the 15-year recovery period for the depreciation of certain leasehold improvements and to modify the depreciation rules relating to such leasehold improvements for purposes of computing earnings and profits.

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IN THE SENATE OF THE UNITED STATES

MAY 10, 2007

Mr. CONRAD (for himself and Mr. KYL) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to permanently extend the 15-year recovery period for the depreciation of certain leasehold improvements and to modify the depreciation rules relating to such leasehold improvements for purposes of computing earnings and profits.

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 “Leasehold Improve-  
5 ment Depreciation Act of 2007”.

1 **SEC. 2. PERMANENT EXTENSION AND MODIFICATION OF**  
2 **DEPRECIATION RULES RELATING TO CER-**  
3 **TAIN LEASEHOLD IMPROVEMENTS.**

4 (a) PERMANENT EXTENSION.—Section  
5 168(e)(3)(E)(iv) of the Internal Revenue Code of 1986  
6 (defining 15-year property) is amended by striking  
7 “placed in service before January 1, 2008”.

8 (b) DEPRECIATION RULES FOR CERTAIN LEASE-  
9 HOLD IMPROVEMENTS FOR PURPOSES OF EARNINGS AND  
10 PROFITS.—Paragraph (3) of section 312(k) of such Code  
11 (relating to exception for tangible property) is amended  
12 by adding at the end the following new subparagraph:

13 “(C) TREATMENT OF QUALIFIED LEASE-  
14 HOLD IMPROVEMENT PROPERTY.—In the case  
15 of any qualified leasehold improvement property  
16 (within the meaning of section 168(e)(6)), the  
17 adjustment to earnings and profits for deprecia-  
18 tion for any taxable year shall be determined  
19 under the alternative depreciation method  
20 (within the meaning of section 168(g)(2)), ex-  
21 cept that the recovery period shall be 15  
22 years.”.

23 (c) CONFORMING AMENDMENT.—Subparagraph (A)  
24 of section 312(k)(3) of such Code is amended by striking  
25 “subparagraph (B),” and inserting “subparagraphs (B)  
26 and (C),”.

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

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