

103^D CONGRESS
1ST SESSION

H. R. 241

To amend the Internal Revenue Code of 1986 to encourage investments in new manufacturing and other productive equipment by allowing an investment tax credit to taxpayers who increase the amount of such investments.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1993

Mr. LEVIN (for himself and Mr. MATSUI) 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 encourage investments in new manufacturing and other productive equipment by allowing an investment tax credit to taxpayers who increase the amount of such investments.

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. INVESTMENT CREDIT FOR NEW MANUFACTUR-**
4 **ING AND OTHER PRODUCTION EQUIPMENT.**

5 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-
6 ternal Revenue Code of 1986 (relating to amount of in-
7 vestment credit) is amended by striking “and” at the end
8 of paragraph (2), by striking the period at the end of para-

1 graph (3) and inserting “, and”, and by adding at the
2 end thereof the following new paragraph:

3 “(4) the manufacturing and other productive
4 equipment credit.”

5 (b) AMOUNT OF CREDIT.—Section 48 of such Code
6 is amended by adding at the end thereof the following new
7 subsection:

8 “(c) MANUFACTURING AND OTHER PRODUCTIVE
9 EQUIPMENT CREDIT.—

10 “(1) IN GENERAL.—For purposes of section 46,
11 the manufacturing and other productive equipment
12 credit for any taxable year is an amount equal to 10
13 percent of the excess (if any) of—

14 “(A) the aggregate bases of qualified man-
15 ufacturing and other productive equipment
16 properties placed in service during such taxable
17 year, over

18 “(B) the base amount.

19 “(2) QUALIFIED MANUFACTURING AND PRO-
20 DUCTIVE EQUIPMENT PROPERTY.—For purposes of
21 this subsection—

22 “(A) IN GENERAL.—The term ‘qualified
23 manufacturing and productive equipment prop-
24 erty’ means any property—

1 “(i) which is used as an integral part
2 of manufacturing, production, or extraction
3 or of furnishing transportation, commu-
4 nications, electrical energy, gas, water, or
5 sewage disposal services,

6 “(ii) which is tangible property to
7 which section 168 applies,

8 “(iii) which is section 1245 property
9 (as defined in section 1245(a)(3)), and

10 “(iv)(I) the construction, reconstruc-
11 tion, or erection of which is completed by
12 the taxpayer, or

13 “(II) which is acquired by the tax-
14 payer if the original use of such property
15 commences with the taxpayer.

16 “(B) SPECIAL RULE FOR COMPUTER SOFT-
17 WARE.—In the case of any computer software
18 which is used to control or monitor a manufac-
19 turing or production process and with respect
20 to which depreciation (or amortization in lieu of
21 depreciation) is allowable, such software shall
22 be treated as qualified manufacturing and pro-
23 ductive equipment property.

24 “(3) BASE AMOUNT.—For purposes of para-
25 graph (1)(B)—

1 “(A) IN GENERAL.—The term ‘base
2 amount’ means the product of—

3 “(i) the fixed-base percentage, and

4 “(ii) the average annual gross receipts
5 of the taxpayer for the four taxable years
6 preceding the taxable year for which the
7 credit is being determined (hereafter in
8 this subsection referred to as the ‘credit
9 year’).

10 “(B) MINIMUM BASE AMOUNT.—In no
11 event shall the base amount be less than 50
12 percent of the amount determined under para-
13 graph (1)(A).

14 “(C) FIXED-BASE PERCENTAGE.—

15 “(i) IN GENERAL.—The fixed-base
16 percentage is the percentage which the ag-
17 gregate amounts described in paragraph
18 (1)(A) for taxable years beginning after
19 December 31, 1986, and before January 1,
20 1992, is of the aggregate gross receipts of
21 the taxpayer for such taxable years.

22 “(ii) ROUNDING.—The percentages
23 determined under clause (i) shall be round-
24 ed to the nearest 1/100 of 1 percent.

1 “(D) OTHER RULES.—Rules similar to the
2 rules of paragraphs (4) and (5) of section 41(c)
3 shall apply for purposes of this paragraph.

4 “(4) COORDINATION WITH OTHER CREDITS.—
5 This subsection shall not apply to any property to
6 which the energy credit or rehabilitation credit
7 would apply unless the taxpayer elects to waive the
8 application of such credits to such property.

9 “(5) CERTAIN PROGRESS EXPENDITURE RULES
10 MADE APPLICABLE.—Rules similar to rules of sub-
11 section (c)(4) and (d) of section 46 (as in effect on
12 the day before the date of the enactment of the Rev-
13 enue Reconciliation Act of 1990) shall apply for pur-
14 poses of this subsection.”

15 (b) MANUFACTURING AND OTHER PRODUCTIVE
16 EQUIPMENT CREDIT ALLOWABLE AGAINST ENTIRE REG-
17 ULAR TAX AND ALTERNATIVE MINIMUM TAX.—

18 (1) Subsection (c) of section 38 of such Code
19 (relating to limitation based on amount of tax) is
20 amended by adding at the end thereof the following
21 new paragraph:

22 “(3) SPECIAL RULES FOR MANUFACTURING
23 AND OTHER PRODUCTIVE EQUIPMENT CREDIT.—

1 “(A) IN GENERAL.—In the case of a C
2 corporation, this section and section 39 shall be
3 applied separately—

4 “(i) first with respect to so much of
5 the credit allowed by subsection (a) as is
6 not attributable to the productive equip-
7 ment credit, and

8 “(ii) then with respect to the produc-
9 tive equipment credit.

10 “(B) RULES FOR APPLICATION OF PRO-
11 DUCTIVE EQUIPMENT CREDIT.—

12 “(i) IN GENERAL.—In the case of the
13 productive equipment credit, in lieu of ap-
14 plying the preceding paragraphs of this
15 subsection, the amount of such credit al-
16 lowed under subsection (a) for any taxable
17 year shall not exceed the net chapter 1 tax
18 for such year.

19 “(ii) NET CHAPTER 1 TAX.—For pur-
20 poses of clause (i), the term ‘net chapter 1
21 tax’ means the sum of the regular tax li-
22 ability for the taxable year and the tax im-
23 posed by section 55 for the taxable year,
24 reduced by the sum of the credits allowable
25 under this part for the taxable year (other

1 than under section 34 and other than the
2 productive equipment credit).

3 “(C) PRODUCTIVE EQUIPMENT CREDIT.—
4 For purposes of this paragraph, the term ‘pro-
5 ductive equipment credit’ means the credit al-
6 lowable under subsection (a) by reason of sec-
7 tion 48(c).”

8 (2) Paragraph (2) of section 55(c) of such Code
9 is amended to read as follows:

10 “(2) CROSS REFERENCES.—

**“(A) For provisions providing that certain credits
 are not allowable against the tax imposed by this
 section, see sections 26(a), 28(d)(2), 29(b)(5), and
 38(c).**

**“(B) For provision allowing manufacturing and
 other productive equipment credit against the tax
 imposed by this section, see section 38(c)(3).”**

11 (d) TECHNICAL AMENDMENTS.—

12 (1) Clause (ii) of section 49(a)(1)(C) of such
13 Code is amended by inserting “or qualified manufac-
14 turing and productive equipment property” after
15 “energy property”.

16 (2) Subparagraph (E) of section 50(a)(2) of
17 such Code is amended by inserting “or 48(c)(5)” be-
18 fore the period at the end thereof.

19 (3) Paragraph (5) of section 50(a) of such Code
20 is amended by adding at the end thereof the follow-
21 ing new subparagraph:

1 “(D) SPECIAL RULES FOR CERTAIN PROP-
2 PERTY.—In the case of any qualified manufac-
3 turing and productive equipment property
4 which is 3-year property (within the meaning of
5 section 168(e))—

6 “(i) the percentage set forth in clause
7 (ii) of the table contained in paragraph
8 (1)(B) shall be 66 percent,

9 “(ii) the percentage set forth in clause
10 (iii) of such table shall be 33 percent, and

11 “(iii) clauses (iv) and (v) of such table
12 shall not apply.”

13 (4)(A) The section heading for section 48 of
14 such Code is amended to read as follows:

15 **“SEC. 48. OTHER CREDITS.”**

16 (B) The table of sections for subpart E of part
17 IV of subchapter A of chapter 1 of such Code is
18 amended by striking the item relating to section 48
19 and inserting the following:

 “Sec. 48. Other credits.”

20 (e) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to—

22 (1) property acquired by the taxpayer after
23 March 31, 1993, and

24 (2) property the construction, reconstruction, or
25 erection of which is completed by the taxpayer after

- 1 March 31, 1993, but only to the extent of the basis
- 2 thereof attributable to construction, reconstruction,
- 3 or erection after such date.

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