

103^D CONGRESS
1ST SESSION

H. R. 681

To amend the Internal Revenue Code of 1986 to provide tax relief for small businesses.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1993

Mrs. JOHNSON of Connecticut 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 tax relief for small businesses.

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 “Small Business En-
5 hancement Act of 1993”.

1 **TITLE I—INCREMENTAL INVEST-**
2 **MENT TAX CREDIT FOR PRO-**
3 **DUCTIVE PROPERTY**

4 **SEC. 101. INCREMENTAL INVESTMENT CREDIT.**

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-
9 graph (3) and inserting “, and”, and by adding at the
10 end thereof the following new paragraph:

11 “(4) in the case of a small business (as defined
12 in section 48(c)), the general investment credit.”

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

16 “(c) GENERAL INVESTMENT CREDIT.—

17 “(1) IN GENERAL.—For purposes of section 46,
18 in the case of a small business, the general invest-
19 ment credit for any taxable year is an amount equal
20 to 10 percent of the excess (if any) of—

21 “(A) the qualified investment for such tax-
22 able year, over

23 “(B) the qualified investment for the tax-
24 able year which begins in 1991 or 1992, which-
25 ever is selected by the taxpayer.

1 The selection under subparagraph (B), once made,
2 shall be irrevocable.

3 “(2) SMALL BUSINESS.—For purposes of this
4 subsection, the term ‘small business’ means any tax-
5 payer actively engaged in a trade or business if the
6 average number of individuals employed by the tax-
7 payer during the taxable year is less than 500.

8 “(3) QUALIFIED INVESTMENT.—

9 “(A) IN GENERAL.—For purposes of para-
10 graph (1), the qualified investment for any tax-
11 able year is the aggregate of—

12 “(i) the applicable percentage of the
13 basis of each new productive property
14 placed in service by the taxpayer during
15 such taxable year, plus

16 “(ii) the applicable percentage of the
17 cost of each used productive property
18 placed in service by the taxpayer during
19 such taxable year.

20 “(B) APPLICABLE PERCENTAGE.—For
21 purposes of subparagraph (A), the applicable
22 percentage for any property shall be determined
23 under paragraphs (2) and (7) of section 46(c)
24 (as in effect on the day before the date of the

1 enactment of the Revenue Reconciliation Act of
2 1990).

3 “(C) CERTAIN RULES MADE APPLICA-
4 BLE.—The provisions of subsections (b) and (c)
5 of section 48 (as in effect on the day before the
6 date of the enactment of the Revenue Reconcili-
7 ation Act of 1990) shall apply for purposes of
8 this paragraph.

9 “(4) PRODUCTIVE PROPERTY.—For purposes of
10 this subsection, the term ‘productive property’
11 means any tangible property to which section 168
12 applies (not including a building and its structural
13 components)—

14 “(A) which is used as an integral part of
15 manufacturing, production, or extraction, or

16 “(B) which is a motor vehicle.

17 “(5) COORDINATION WITH OTHER CREDITS.—
18 This subsection shall not apply to any property to
19 which the energy credit or rehabilitation credit
20 would apply unless the taxpayer elects to waive the
21 application of such credits to such property.

22 “(6) CERTAIN PROGRESS EXPENDITURE RULES
23 MADE APPLICABLE.—Rules similar to rules of sub-
24 section (c)(4) and (d) of section 46 (as in effect on
25 the day before the date of the enactment of the Rev-

1 enue Reconciliation Act of 1990) shall apply for pur-
2 poses of this subsection.

3 “(7) SPECIAL RULES.—

4 “(A) CONTROLLED GROUPS.—For pur-
5 poses of this subsection—

6 “(i) all taxpayers treated as a single
7 employer under subsection (a) or (b) of
8 section 52 shall be treated as a single tax-
9 payer, and

10 “(ii) the credit (if any) determined
11 under this subsection with respect to each
12 such taxpayer shall be its proportionate
13 share of the basis of the productive prop-
14 erty giving rise to such credit.

15 “(B) ALLOCATION OF BASIS ADJUST-
16 MENT.—The reduction required by section
17 50(c) for any taxable year shall be allocated
18 among the productive property in proportion to
19 the respective bases of such property.

20 “(C) RECAPTURE.—In applying section
21 50(a) to any property which ceases to be pro-
22 ductive property, the credit determined under
23 this subsection with respect to such property
24 shall be treated as being equal to 10 percent of
25 the lesser of—

1 “(i) the excess referred to in para-
2 graph (1) for the taxable year in which
3 such property was determined, or

4 “(ii) the qualified investment in such
5 property which was taken into account
6 under paragraph (1).”

7 (c) TECHNICAL AMENDMENTS.—

8 (1) Subparagraph (C) of section 49(a)(1) of
9 such Code is amended by striking “and” at the end
10 of clause (ii), by striking the period at the end of
11 clause (iii) and inserting “, and”, and by adding at
12 the end thereof the following new clause:

13 “(iv) the basis of any new productive
14 property and the cost of any used produc-
15 tive 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:

22 “(D) SPECIAL RULES FOR CERTAIN PROP-
23 PERTY.—In the case of any productive property
24 which is 3-year property (within the meaning of
25 section 168(e))—

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

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

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

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

10 **“SEC. 48. OTHER CREDITS.”**

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

 “Sec. 48. Other credits.”

15 (d) EFFECTIVE DATE.—The amendments made by
16 this section shall apply to periods after December 31,
17 1992, under rules similar to the rules of section 48(m)
18 of the Internal Revenue Code of 1986 (as in effect on the
19 day before the date of the enactment of the Revenue Rec-
20 onciliation Act of 1990).

1 **TITLE II—INCREASE IN**
2 **EXPENSING FOR PRODUC-**
3 **TIVE PROPERTY**

4 **SEC. 201. CHANGES IN ELECTION TO EXPENSE CERTAIN DE-**
5 **PRECIABLE BUSINESS ASSETS.**

6 (a) INCREASE IN LIMIT FOR PRODUCTIVE EQUIP-
7 MENT.—Paragraph (1) of section 179(b) of the Internal
8 Revenue Code of 1986 (relating to election to expense cer-
9 tain depreciable property) is amended by striking
10 “\$10,000.” and inserting “\$10,000 (\$50,000 in the case
11 of section 179 property for use as an integral part of man-
12 ufacturing, production, or extraction).”

13 (b) MEDIUM-SIZED COMPANIES ELIGIBLE.—Para-
14 graph (2) of section 179(b) of such Code is amended by
15 striking “\$200,000.” and inserting “\$200,000
16 (\$1,000,000 in the case of section 179 property for use
17 as an integral part of manufacturing, production, or ex-
18 traction).”

19 (c) DEDUCTIONS UNDER SECTION 179 EXCLUDED
20 FROM MINIMUM TAX.—

21 (1) Paragraph (1) of section 56(a) of such Code
22 is amended by adding at the end thereof the follow-
23 ing new subparagraph:

24 “(E) SPECIAL RULE FOR SECTION 179
25 PROPERTY.—In the case of section 179 prop-

1 erty (as defined in section 179(d)), the deduc-
2 tion allowable under section 179 shall be treat-
3 ed as allowable under the alternative system of
4 section 168(g).”

5 (2) Subparagraph (A) of section 56(g)(4) of
6 such Code is amended by adding at the end thereof
7 the following new clause:

8 “(vi) SPECIAL RULE FOR SECTION 179
9 PROPERTY.—In the case of section 179
10 property (as defined in section 179(d)), the
11 deduction allowable under section 179 shall
12 be treated as allowable under the alter-
13 native system of section 168(g).”

14 (d) EFFECTIVE DATE.—The amendments made by
15 this section shall apply to taxable years beginning after
16 December 31, 1992.

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