

103^D CONGRESS
1ST SESSION

S. 858

To amend the Internal Revenue Code of 1986 to modify the alternative minimum tax system, and for other purposes.

IN THE SENATE OF THE UNITED STATES

APRIL 30 (legislative day, APRIL 19), 1993

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

A BILL

To amend the Internal Revenue Code of 1986 to modify the alternative minimum tax system, and for other purposes.

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; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Minimum Tax Reform Act of 1993”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
2 sion of the Internal Revenue Code of 1986.

3 **SEC. 2. DEPRECIATION ADJUSTMENT USED IN COMPUTING**
4 **ALTERNATIVE MINIMUM TAXABLE INCOME.**

5 (a) 150-PERCENT DECLINING BALANCE METHOD.—

6 (1) IN GENERAL.—Paragraph (1) of section
7 56(a) (relating to depreciation) is amended to read
8 as follows:

9 “(1) DEPRECIATION.—

10 “(A) 150-PERCENT DECLINING BALANCE
11 METHOD.—

12 “(i) IN GENERAL.—In the case of
13 property not described in clause (ii), the
14 depreciation deduction allowable under sec-
15 tion 167 shall be determined as provided in
16 section 168(a), except that the applicable
17 depreciation method under section
18 168(a)(1) shall be—

19 “(I) the 150-percent declining
20 balance method,

21 “(II) switching to the straight
22 line method for the 1st taxable year
23 for which using the straight line
24 method with respect to the adjusted

1 basis as of the beginning of the year
2 will yield a higher allowance.

3 “(ii) PROPERTY NOT USING 150-PER-
4 CENT METHOD.—Property described in
5 this clause is section 1250 property (as de-
6 fined in section 1250(c)) or any other
7 property if the depreciation deduction de-
8 termined under section 168 with respect to
9 such other property for purposes of the
10 regular tax is determined by using the
11 straight line method.

12 “(B) NORMALIZATION RULES.—With re-
13 spect to public utility property described in sec-
14 tion 168(i)(10), the Secretary shall prescribe
15 the requirements of a normalization method of
16 accounting for this section.”.

17 (2) NO ADJUSTMENT FOR ADJUSTED CURRENT
18 EARNINGS SYSTEM.—Clause (i) of section
19 56(g)(4)(A) (relating to depreciation adjustments for
20 computing adjusted current earnings) is amended by
21 adding at the end the following new sentence: “The
22 preceding sentence shall not apply to property placed
23 in service in taxable years beginning after December
24 31, 1992, and the depreciation deduction with re-

1 spect to such property shall be determined under the
2 rules of subsection (a)(1)(A).”.

3 (b) EXCEPTION FOR ENVIRONMENTAL PROPERTY.—

4 (1) IN GENERAL.—Section 56(a)(1) (relating to
5 depreciation adjustments), as amended by subsection
6 (a)(1), is amended by adding at the end the follow-
7 ing new subparagraph:

8 “(C) ENVIRONMENTAL IMPROVEMENT AS-
9 SETS.—This paragraph shall not apply to envi-
10 ronmental improvement assets (as defined in
11 section 59(k)).”.

12 (2) ENVIRONMENTAL IMPROVEMENT ASSETS.—
13 Section 59 (relating to definition and special rules)
14 is amended by adding at the end the following new
15 subsection:

16 “(k) ENVIRONMENTAL IMPROVEMENT ASSETS.—

17 “(1) IN GENERAL.—For purposes of section
18 56(a)(1)(B), the term ‘environmental improvement
19 asset’ means tangible property which is—

20 “(A) of a character subject to the allow-
21 ance for depreciation provided in section 167;

22 “(B) used for, or is functionally related to
23 property used for, one or more of the following
24 purposes—

25 “(i) source reduction,

- 1 “(ii) solid waste minimization,
- 2 “(iii) waste conversion or recycling,
- 3 “(iv) reduction of environmental haz-
- 4 ards,
- 5 “(v) compliance with environmental
- 6 permits, rules, and similar requirements,
- 7 including requirements with respect to
- 8 noise pollution such as the reduction of
- 9 aircraft noise level to stage 3 noise level
- 10 (as defined in 14 CFR § 36.1(f)(5)),
- 11 “(vi) prevention, containment or con-
- 12 trol of unplanned releases, or
- 13 “(vii) the manufacture, distribution
- 14 and sale of alternate fuels and blending
- 15 stocks or fuel additives for reformulated
- 16 fuels, and
- 17 “(C) except in the case of property used
- 18 for the reduction of aircraft noise levels de-
- 19 scribed in subparagraph (B)(v), located and
- 20 used exclusively in the United States during the
- 21 taxable year.

22 If only a portion of property described in subpara-

23 graphs (A) and (C) is described in subparagraph

24 (B), such portion shall be treated as an environ-

25 mental improvement asset.

1 “(2) OTHER DEFINITIONS.—For purposes of
2 this subsection—

3 “(A) SOURCE REDUCTION.—The term
4 ‘source reduction’ means reduction of the
5 amount of regulated substances or other pollut-
6 ants from fixed or mobile sources released into
7 the environment if such reduction reduces haz-
8 ards to public health or environment.

9 “(B) SOLID WASTE MINIMIZATION.—The
10 term ‘solid waste minimization’ means the re-
11 duction in the generation of, or the recovery of
12 commercially usable products from, residual
13 materials which are classified as, or which if
14 disposed would be classified as, solid wastes
15 (within the meaning of the Resource Conserva-
16 tion and Recovery Act).

17 “(C) WASTE CONVERSION OR RECY-
18 CLING.—The term ‘waste conversion or recy-
19 cling’ means the processing or conversion of liq-
20 uid, solid, or gaseous wastes into fuel, energy,
21 or other commercially usable products, and the
22 production of such products if production oc-
23 curs at the same facility as the conversion.

24 “(D) ABATEMENT OF ENVIRONMENTAL
25 HAZARDS.—The term ‘abatement of environ-

1 mental hazards' includes the abatement, reduc-
2 tion, monitoring, or stabilization of potential
3 human exposure to toxic chemicals, hazardous
4 or extremely hazardous substances, or harmful
5 radiation.

6 “(E) UNPLANNED RELEASES.—The term
7 ‘unplanned releases’ means any release of regu-
8 lated substances (except federally permitted re-
9 leases), including indoor releases.

10 “(F) REGULATED SUBSTANCE.—The term
11 ‘regulated substance’ includes any substance
12 the release or emission of which is prohibited,
13 limited, or regulated by Federal or State law or
14 by Federal regulations (as determined without
15 regard to whether a particular release would
16 have been prohibited or limited).

17 “(G) RELEASE.—The term ‘release’ means
18 any spilling, leaking, pouring, discharging, es-
19 caping, dumping, or disposing into the environ-
20 ment, including the abandonment or discarding
21 of barrels or other closed receptacles.”.

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to property placed in service in
24 taxable years beginning after December 31, 1992.

1 **SEC. 3. PRE-1993 MINIMUM TAX ALLOWED AS CREDIT**
 2 **AGAINST MINIMUM TAX FOR CERTAIN TAX-**
 3 **PAYERS.**

4 (a) IN GENERAL.—Section 53(c) (relating to limita-
 5 tion) is amended by adding at the end the following new
 6 paragraph:

7 “(2) SPECIAL RULE FOR CERTAIN TAXPAYERS
 8 WITH PRE-1993 UNUSED MINIMUM TAX CREDITS.—

9 “(A) IN GENERAL.—If a taxpayer had an
 10 unused minimum tax credit for at least 3 of the
 11 taxable years in the testing period, then, subject
 12 to the limitation of subparagraph (B), the limi-
 13 tation under paragraph (1) for any taxable year
 14 following the testing period shall in no event be
 15 less than 50 percent of the excess (if any) of—

16 “(I) the tentative minimum tax
 17 for such taxable year, over

18 “(II) the sum of the credits al-
 19 lowable under subparts A, B, D, E,
 20 and F of this part.

21 “(B) LIMITATION.—

22 “(i) IN GENERAL.—The aggregate in-
 23 creases in the limitation under paragraph
 24 (1) by reason of subparagraph (A) shall
 25 not exceed the pre-1993 unused minimum
 26 tax credits.

1 “(ii) ORDERING RULE.—For purposes
2 of clause (i), any credit under subsection
3 (a) for taxable years following the testing
4 period shall be treated as allocated to pre-
5 1993 unused minimum tax credits until
6 such credits are used up.

7 “(C) DEFINITIONS.—For purposes of this
8 paragraph—

9 “(i) TESTING PERIOD.—The term
10 ‘testing period’ means the 5-taxable year
11 period ending with the taxpayer’s last tax-
12 able year beginning in 1992.

13 “(ii) PRE-1993 UNUSED MINIMUM TAX
14 CREDITS.—The term ‘pre-1993 unused
15 minimum tax credits’ means the credits al-
16 lowable under subsection (a) remaining un-
17 used as of the close of the testing period.”.

18 (b) CONFORMING AMENDMENTS.—Section 53(c) (as
19 in effect before the amendment made by subsection (a))
20 is amended—

21 (1) by striking “The” and inserting:

22 “(1) IN GENERAL.—Except as provided in para-
23 graph (2), the”, and

24 (2) by redesignating paragraphs (1) and (2) as
25 subparagraphs (A) and (B).

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 1992.

4 **SEC. 4. ALLOWANCE OF GENERAL BUSINESS CREDIT**
5 **AGAINST PORTION OF MINIMUM TAX.**

6 (a) IN GENERAL.—Subparagraph (A) of section
7 38(c)(1) (relating to limitation based on amount of tax)
8 is amended by inserting “75 percent of” before “the ten-
9 tative minimum tax”.

10 (b) EFFECTIVE DATE.—The amendment made by
11 this section shall apply to taxable years beginning after
12 December 31, 1992.

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