

107TH CONGRESS
1ST SESSION

H. R. 1030

To amend the Internal Revenue Code of 1986 to provide a shorter recovery period for the depreciation of certain leasehold improvements.

IN THE HOUSE OF REPRESENTATIVES

MARCH 14, 2001

Mr. SHAW (for himself, Mr. RANGEL, Mrs. JOHNSON of Connecticut, Mr. STARK, Mr. HOUGHTON, Mr. MATSUI, Mr. HERGER, Mr. COYNE, Mr. RAMSTAD, Mr. CARDIN, Mr. CAMP, Mr. LEWIS of Georgia, Mr. JOHNSON of Texas, Mr. NEAL, Mr. ENGLISH, Mr. BECERRA, Mr. WATKINS, Mrs. THURMAN, Mr. HAYWORTH, Mr. MCINNIS, Mr. FOLEY, Mr. POMEROY, Mr. RILEY, Mrs. KELLY of New York, Mr. NETHERCUTT, Mr. GARY MILLER of California, Mr. GOODE, Mr. DOYLE, Mr. GREEN of Wisconsin, Mr. STUMP, Mr. SHOWS, Mr. BLUMENAUER, Mr. FILNER, Mr. BENTSEN, Mr. GUTKNECHT, Mr. CLEMENT, Mr. TERRY, Mr. UDALL of New Mexico, Mr. DICKS, Mr. BONIOR, Mr. TOM DAVIS of Virginia, Mr. EHRLICH, Ms. PRYCE, Mrs. MYRICK, Mr. CHAMBLISS, Mr. BUYER, Mr. SANDLIN, Mr. DOOLITTLE, Mr. LARSON, Mr. MILLER of Florida, Mr. REYNOLDS, Mr. DEUTSCH, Mr. ISAKSON, Mr. DAVIS of Florida, Mr. WELDON of Florida, Mr. GREENWOOD, Mr. KOLBE, Mr. COX, Mr. WEXLER, Mr. FROST, Mr. WATT, Mr. SOUDER, Mr. MALONEY, Mr. HALL of Ohio, Ms. CARSON, and Mr. GREEN of Texas) 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 a shorter recovery period for the depreciation of certain leasehold improvements.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. RECOVERY PERIOD FOR DEPRECIATION OF**
2 **CERTAIN LEASEHOLD IMPROVEMENTS.**

3 (a) 10-YEAR RECOVERY PERIOD.—Subparagraph
4 (D) of section 168(e)(3) of the Internal Revenue Code of
5 1986 (relating to 10-year property) is amended by striking
6 “and” at the end of clause (i), by striking the period at
7 the end of clause (ii) and inserting “, and”, and by adding
8 at the end the following new clause:

9 “(iii) any qualified leasehold improve-
10 ment property.”.

11 (b) QUALIFIED LEASEHOLD IMPROVEMENT PROP-
12 erty.—Subsection (e) of section 168 of such Code is
13 amended by adding at the end the following new para-
14 graph:

15 “(6) QUALIFIED LEASEHOLD IMPROVEMENT
16 PROPERTY.—

17 “(A) IN GENERAL.—The term ‘qualified
18 leasehold improvement property’ means any im-
19 provement to an interior portion of a building
20 which is nonresidential real property if—

21 “(i) such improvement is made under
22 or pursuant to a lease (as defined in sub-
23 section (h)(7))—

24 “(I) by the lessee (or any subles-
25 see) of such portion, or

1 “(II) by the lessor of such por-
2 tion,

3 “(ii) such portion is to be occupied ex-
4 clusively by the lessee (or any sublessee) of
5 such portion, and

6 “(iii) such improvement is placed in
7 service more than 3 years after the date
8 the building was first placed in service.

9 “(B) CERTAIN IMPROVEMENTS NOT IN-
10 CLUDED.—Such term shall not include any im-
11 provement for which the expenditure is attrib-
12 utable to—

13 “(i) the enlargement of the building,

14 “(ii) any elevator or escalator,

15 “(iii) any structural component bene-
16 fitting a common area, and

17 “(iv) the internal structural frame-
18 work of the building.

19 “(C) DEFINITIONS AND SPECIAL RULES.—
20 For purposes of this paragraph—

21 “(i) COMMITMENT TO LEASE TREAT-
22 ED AS LEASE.—A commitment to enter
23 into a lease shall be treated as a lease, and
24 the parties to such commitment shall be
25 treated as lessor and lessee, respectively.

1 “(ii) RELATED PERSONS.—A lease be-
2 tween related persons shall not be consid-
3 ered a lease. For purposes of the preceding
4 sentence, the term ‘related persons’
5 means—

6 “(I) members of an affiliated
7 group (as defined in section 1504),
8 and

9 “(II) persons having a relation-
10 ship described in subsection (b) of
11 section 267; except that, for purposes
12 of this clause, the phrase ‘80 percent
13 or more’ shall be substituted for the
14 phrase ‘more than 50 percent’ each
15 place it appears in such subsection.

16 “(D) IMPROVEMENTS MADE BY LESSOR.—

17 “(i) IN GENERAL.—In the case of an
18 improvement made by the person who was
19 the lessor of such improvement when such
20 improvement was placed in service, such
21 improvement shall be qualified leasehold
22 improvement property (if at all) only so
23 long as such improvement is held by such
24 person.

1 “(ii) EXCEPTION FOR CHANGES IN
2 FORM OF BUSINESS.—Property shall not
3 cease to be qualified leasehold improve-
4 ment property under clause (i) by reason
5 of—

6 “(I) death,

7 “(II) a transaction to which sec-
8 tion 381(a) applies, or

9 “(III) a mere change in the form
10 of conducting the trade or business so
11 long as the property is retained in
12 such trade or business as qualified
13 leasehold improvement property and
14 the taxpayer retains a substantial in-
15 terest in such trade or business.”

16 (c) REQUIREMENT TO USE STRAIGHT LINE METH-
17 OD.—Paragraph (3) of section 168(b) of such Code is
18 amended by adding at the end the following new subpara-
19 graph:

20 “(G) Qualified leasehold improvement
21 property described in subsection (e)(6).”.

22 (d) ALTERNATIVE SYSTEM.—The table contained in
23 section 168(g)(3)(B) of such Code is amended by inserting
24 after the item relating to subparagraph (D)(ii) the fol-
25 lowing new item:

 “(D)(iii) 10”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to qualified leasehold improvement
3 property placed in service after the date of the enactment
4 of this Act.

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