

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1956

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

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IN THE HOUSE OF REPRESENTATIVES

MAY 4, 1993

Mr. ANDREWS of Texas introduced the following bill; which was referred to the Committee on Ways and Means

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## 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 (200-percent declining  
21 balance method in the case of com-  
22 puter or peripheral equipment (as de-  
23 fined in section 168(i)(2)(B)),

24 “(II) switching to the straight  
25 line method for the 1st taxable year

1 for which using the straight line  
2 method with respect to the adjusted  
3 basis as of the beginning of the year  
4 will yield a higher allowance.

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

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

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

1 31, 1992, and the depreciation deduction with re-  
2 spect to such property shall be determined under the  
3 rules of subsection (a)(1)(A).”.

4 (b) EXCEPTION FOR ENVIRONMENTAL PROPERTY.—

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

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

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

17 “(k) ENVIRONMENTAL IMPROVEMENT ASSETS.—

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

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

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

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

23 If only a portion of property described in subpara-  
24 graphs (A) and (C) is described in subparagraph

1 (B), such portion shall be treated as an environ-  
2 mental improvement asset.

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

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

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

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

1           “(D) ABATEMENT OF ENVIRONMENTAL  
2 HAZARDS.—The term ‘abatement of environ-  
3 mental hazards’ includes the abatement, reduc-  
4 tion, monitoring, or stabilization of potential  
5 human exposure to toxic chemicals, hazardous  
6 or extremely hazardous substances, or harmful  
7 radiation.

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

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

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

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

4 **SEC. 3. PRE-1993 MINIMUM TAX ALLOWED AS CREDIT**  
5 **AGAINST MINIMUM TAX FOR CERTAIN TAX-**  
6 **PAYERS.**

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

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

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

19 “(I) the tentative minimum tax  
20 for such taxable year, over

21 “(II) the sum of the credits al-  
22 lowable under subparts A, B, D, E,  
23 and F of this part.

24 “(B) LIMITATION.—

1           “(i) IN GENERAL.—The aggregate in-  
2           creases in the limitation under paragraph  
3           (1) by reason of subparagraph (A) shall  
4           not exceed the pre-1993 unused minimum  
5           tax credits.

6           “(ii) ORDERING RULE.—For purposes  
7           of clause (i), any credit under subsection  
8           (a) for taxable years following the testing  
9           period shall be treated as allocated to pre-  
10          1993 unused minimum tax credits until  
11          such credits are used up.

12          “(C) DEFINITIONS.—For purposes of this  
13          paragraph—

14               “(i) TESTING PERIOD.—The term  
15               ‘testing period’ means the 5-taxable year  
16               period ending with the taxpayer’s last tax-  
17               able year beginning in 1992.

18               “(ii) PRE-1993 UNUSED MINIMUM TAX  
19               CREDITS.—The term ‘pre-1993 unused  
20               minimum tax credits’ means the credits al-  
21               lowable under subsection (a) remaining un-  
22               used as of the close of the testing period.”.

23          (b) CONFORMING AMENDMENTS.—Section 53(c) (as  
24          in effect before the amendment made by subsection (a))  
25          is amended—

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

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

4 (2) by redesignating paragraphs (1) and (2) as  
5 subparagraphs (A) and (B).

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

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

11 (a) IN GENERAL.—Subparagraph (A) of section  
12 38(c)(1) (relating to limitation based on amount of tax)  
13 is amended by inserting “75 percent of” before “the ten-  
14 tative minimum tax”.

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

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