

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

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## 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

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## 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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