

103^D CONGRESS
2^D SESSION

H. R. 3822

To amend the Merchant Marine Act, 1936, and the Internal Revenue Code of 1986 to promote construction and operation of passenger vessels in the United States, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 9, 1994

Mrs. UNSOELD (for herself, Mr. STUDDS, Mr. LIPINSKI, Mr. DICKS, Ms. CANTWELL, Ms. DUNN, Mr. KRIEDLER, Mr. SWIFT, Mr. MANTON, Mr. BORSKI, Mr. HOYER, Mr. CUNNINGHAM, and Mr. JOHNSON of South Dakota) introduced the following bill; which was referred jointly to the Committees on Merchant Marine and Fisheries and Ways and Means

A BILL

To amend the Merchant Marine Act, 1936, and the Internal Revenue Code of 1986 to promote construction and operation of passenger vessels in the United States, 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.**

4 This Act may be cited as the “United States Pas-
5 senger Vessel Development Tax Act”.

1 **SEC. 2. PURPOSE.**

2 The purpose of this Act is to provide measures to en-
3 courage investment in new passenger vessels documented
4 under the laws of the United States.

5 **SEC. 3. CHANGES TO CAPITAL CONSTRUCTION FUND.**

6 (a) EXPANDING THE CCF PROGRAM TO PASSENGER
7 VESSELS IN DOMESTIC TRADES.—

8 (1) Paragraph (2) of section 607(k) of the Mer-
9 chant Marine Act, 1936 (46 App. U.S.C. 1177) is
10 amended by adding at the end thereof the following
11 new flush sentence:

12 “In the case of a passenger vessel, subparagraph (C)
13 (and the second sentence of subsection (a)) shall be
14 treated as including a reference to all domestic
15 trades.”

16 (2) Paragraph (1) of section 607(k) of such Act
17 (defining eligible vessel) is amended by adding at the
18 end the following: “For purposes of subparagraph
19 (B), documentation under section 12113 of title 46,
20 United States Code (as added by H.R. 3821 of the
21 103d Congress), shall be treated as documentation
22 under the laws of the United States.”

23 (b) TREATMENT OF FUND EARNINGS.—

24 (1) Section 607 of such Act is amended by add-
25 ing at the end thereof the following new subsection:

1 “(n) TAXATION OF EARNINGS ON INVESTMENTS IN
2 CERTAIN FUNDS.—

3 “(1) IN GENERAL.—In the case of a capital
4 construction fund to which this subsection applies,
5 the tax imposed by chapter 1 of the Internal Reve-
6 nue Code of 1986 shall be determined—

7 “(A) by excluding from gross income the
8 taxable earnings from the investment and rein-
9 vestment of amounts held in such capital con-
10 struction fund, and

11 “(B) by increasing the tax imposed by
12 such chapter by the product of the amount of
13 such taxable earnings and the highest rate of
14 tax specified in section 1 (section 11 in the case
15 of a corporation) of such Code.

16 “(2) MAXIMUM RATE ON CAPITAL GAINS.—If
17 there is a net capital gain on amounts held in a cap-
18 ital construction fund to which this subsection ap-
19 plies, the rate of tax taken into account under para-
20 graph (1)(B) with respect to such gain shall not ex-
21 ceed the rate applicable to net capital gain under
22 section 1(h) or 1201(a) of such Code, as the case
23 may be.

24 “(3) FUNDS TO WHICH SUBSECTION AP-
25 PLIES.—This subsection shall apply to any capital

1 construction fund into which amounts are deposited
2 by reason of the operation of a passenger vessel.

3 “(4) COORDINATION WITH DEDUCTION FOR
4 NET OPERATING LOSSES.—Any earnings excluded
5 from gross income under paragraph (1) shall be ex-
6 cluded in determining taxable income under section
7 172(b)(2) of such Code.

8 “(5) TAXABLE EARNINGS.—For purposes of
9 this section, the term ‘taxable earnings’ means net
10 earnings determined with the following modifica-
11 tions:

12 “(A) There shall be excluded interest in-
13 come exempt from taxation under section 103
14 of such Code.

15 “(B) If the person maintaining the fund is
16 a corporation, there shall be excluded the per-
17 centage applicable under section 243(a)(1) of
18 such Code of any dividend received by the fund
19 with respect to which such person would (but
20 for paragraph (1)(A)) be allowed a deduction
21 under section 243 of such Code.

22 “(C) Losses from the sale or exchange of
23 capital assets shall be allowed only to the extent
24 of gains from such sales or exchanges.

25 “(D) There shall be excluded—

1 “(i) earnings on amounts deposited in
2 the fund which are attributable to vessels
3 documented under the laws of the United
4 States for operation in the fisheries of the
5 United States, and

6 “(ii) earnings on earnings described in
7 clause (i).”

8 (2) Subparagraph (D) of section 607(b)(1) of
9 such Act is amended by inserting “reduced by the
10 tax (if any) imposed on such receipts under sub-
11 section (n)” after “in such fund”.

12 (3) Subparagraph (C) of section 607(d)(1) of
13 such Act is amended by inserting “except as pro-
14 vided in subsection (n),” before “the earnings”.

15 (4) Paragraph (2) of section 607(e) of such Act
16 is amended by striking “and” at the end of subpara-
17 graph (C), by striking the period at the end of sub-
18 paragraph (D) and inserting “, and”, and by adding
19 at the end thereof the following new subparagraph:

20 “(E) in the case of any capital construc-
21 tion fund to which subsection (n) applies, the
22 taxable earnings (as defined in such subsection)
23 of such fund.”

1 (5) Paragraph (3) of section 607(e) of such Act
2 is amended by adding at the end thereof the follow-
3 ing new flush sentence:

4 “In the case of any capital construction fund to
5 which subsection (n) applies, the taxable earnings
6 (as defined in such subsection) of such fund shall
7 not be taken into account under this paragraph.”

8 (6) Paragraph (4) of section 607(e) of such Act
9 is amended by adding at the end thereof the follow-
10 ing new flush sentence:

11 “In the case of any capital construction fund to
12 which subsection (n) applies, the taxable earnings
13 (as defined in such subsection) of such fund shall
14 not be taken into account under subparagraph (B),
15 and subparagraphs (C) and (E) shall not apply.”

16 (7) Paragraph (1) of section 607(f) of such Act
17 is amended by striking “or” at the end of subpara-
18 graph (B), by striking the period at the end of sub-
19 paragraph (C) and inserting “, or”, and by inserting
20 after subparagraph (C) the following new subpara-
21 graph:

22 “(D) the payment of the tax (if any) im-
23 posed by subsection (n).”

24 (c) TREATMENT OF CERTAIN LEASE PAYMENTS.—

1 (1) Paragraph (1) of section 607(f) of such Act
2 is amended by striking “or” at the end of subpara-
3 graph (C), by striking the period at the end of sub-
4 paragraph (D) and inserting “, or”, and by inserting
5 after subparagraph (D) the following new subpara-
6 graph:

7 “(E) the payment of amounts which reduce
8 the principal amount (as determined under reg-
9 ulations) of a qualified lease of a passenger ves-
10 sel which is a qualified vessel.”

11 (2) Paragraph (4) of section 607(g) of such Act
12 is amended by inserting “(or to reduce the principal
13 amount of any qualified lease a passenger vessel
14 which is a qualified vessel)” after “indebtedness”.

15 (3) Subsection (k) of section 607 of such Act
16 is amended by adding at the end thereof the follow-
17 ing new paragraph:

18 “(10) The term ‘qualified lease’ means any
19 lease with a term of at least 5 years.”

20 (d) COMPUTATION OF INTEREST WITH RESPECT TO
21 NONQUALIFIED WITHDRAWALS.—Paragraph (3) of sec-
22 tion 607(h) of such Act is amended by adding at the end
23 the following flush sentence:

24 “‘In the case of a withdrawal from a fund to which
25 subsection (n) applies, in lieu of applying subpara-

1 graph (C), no addition to the tax shall be payable
2 under section 6651 of such Code and interest on the
3 amount of the additional tax attributable to any
4 item referred to in subparagraph (A) or (B) shall be
5 paid in accordance with section 6601 of such Code.”

6 (e) PASSENGER VESSEL DESIGN AND ENGINEERING
7 COSTS MAY BE PAID FROM FUNDS.—Paragraph (1) of
8 section 607(f) of such Act is further amended by striking
9 “or” at the end of subparagraph (D), by striking the pe-
10 riod at the end of subparagraph (E) and inserting “, or”,
11 and by inserting after subparagraph (E) the following new
12 subparagraph:

13 “(F) the design and engineering of any
14 construction or reconstruction of a qualified
15 vessel which is a passenger vessel.”

16 (f) EXPANSION OF PERMITTED INVESTMENTS BY
17 PASSENGER VESSEL FUNDS.—Subsection (c) of section
18 607 of such Act is amended by inserting “(and, in the
19 case of a fund to which subsection (n) applies, other in-
20 come-producing assets (including accounts receivable)”
21 after “interest-bearing securities”.

22 (g) WITHDRAWALS PERMITTED FOR CERTAIN PRIOR
23 EXPENDITURES.—Paragraph (1) of section 607(f) of such
24 Act is further amended by striking “or” at the end of sub-
25 paragraph (E), by striking the period at the end of sub-

1 paragraph (F) and inserting “, or”, and by inserting after
2 subparagraph (F) the following new subparagraph:

3 “(G) the reimbursement of the person
4 maintaining the fund for amounts expended by
5 such person in the reconstruction of any vessel
6 for which an interim certificate of documenta-
7 tion was issued under section 12113 of title 46,
8 United States Code (as added by H.R. 3821 of
9 the 103d Congress).”

10 (h) AMOUNTS IN CAPITAL CONSTRUCTION FUND BY
11 REASON OF INTERIM CERTIFICATE VESSEL REQUIRED
12 TO BE COMMITTED TO CONSTRUCTION OF NEW QUALI-
13 FIED VESSEL.—Section 607 of the Merchant Marine Act,
14 1936, is amended by adding at the end the following new
15 subsection:

16 “(o) TAX ON INTERIM CERTIFICATE VESSEL DEPOS-
17 ITS IN FUND WHICH ARE NOT COMMITTED TO NEW
18 CONSTRUCTION, ETC.—

19 “(1) TAX IMPOSED IF CONTRACT FOR CON-
20 STRUCTION OF QUALIFIED VESSEL NOT ENTERED
21 INTO WITHIN 3 YEARS.—If any person deposits any
22 amount into a capital construction fund by reason of
23 the treatment provided by the last sentence of sub-
24 section (k)(1), and such person fails to enter into a
25 qualified contract within the period of 3 years after

1 the date the certificate referred to in such sentence
2 was issued—

3 “(A) such fund shall, at the close of such
4 period, cease to be treated as a capital con-
5 struction fund and shall be treated as distribut-
6 ing all amounts in such fund to such person,
7 and

8 “(B) such person’s tax imposed by chapter
9 1 of the Internal Revenue Code of 1986 for the
10 taxable year in which such period ends shall be
11 determined—

12 “(i) by excluding from gross income
13 the amount treated as distributed under
14 subparagraph (A), and

15 “(ii) by increasing the tax imposed by
16 such chapter by the product of such
17 amount and the highest rate of tax speci-
18 fied in section 1 (section 11 in the case of
19 a corporation) of such Code.

20 “(2) TAX ON WITHDRAWALS NOT USED IN FUR-
21 THERANCE OF CONSTRUCTION CONTRACT.—If there
22 is a withdrawal from a fund referred to in para-
23 graph (1) which is not in furtherance of entering
24 into a qualified contract within such 3 year period,
25 such withdrawal shall not be taxed as otherwise pro-

1 vided in this section and such person's tax imposed
2 by chapter 1 of such Code for the taxable year in
3 which such withdrawal is made shall be deter-
4 mined—

5 “(A) by excluding such withdrawal from
6 gross income, and

7 “(B) by increasing the tax imposed by
8 such chapter by the product of the amount of
9 such withdrawal and the highest rate of tax
10 specified in section 1 (section 11 in the case of
11 a corporation) of such Code.

12 “(3) QUALIFIED CONTRACT.—For purposes of
13 this subsection, the term ‘qualified contract’ means
14 any contract for the construction of a new qualified
15 vessel the consideration for which will be paid from
16 the capital construction fund referred to in para-
17 graph (1).

18 “(4) COORDINATION WITH DEDUCTION FOR
19 NET OPERATING LOSSES.—Any amount excluded
20 from gross income under this subsection shall be ex-
21 cluded in determining taxable income under section
22 172(b)(2) of such Code.”

23 **SEC. 4. AMENDMENTS OF INTERNAL REVENUE CODE OF**
24 **1986.**

25 (a) TREATMENT OF FUND EARNINGS.—

1 (1) Section 7518 of the Internal Revenue Code
2 of 1986 is amended by redesignating subsections (h)
3 and (i) as subsections (j) and (k), respectively, and
4 by inserting after subsection (g) the following new
5 subsection:

6 “(h) TAXATION OF EARNINGS ON INVESTMENT IN
7 CERTAIN FUNDS.—

8 “(1) IN GENERAL.—In the case of a capital
9 construction fund to which this subsection applies,
10 the tax imposed by chapter 1 shall be determined—

11 “(A) by excluding from gross income the
12 earnings from the investment and reinvestment
13 of amounts held in such capital construction
14 fund, and

15 “(B) by increasing the tax imposed by
16 such chapter by the product of the amount of
17 such earnings and the highest rate of tax speci-
18 fied in section 1 (section 11 in the case of a
19 corporation).

20 “(2) MAXIMUM RATE ON CAPITAL GAINS.—If
21 there is a net capital gain on amounts held in a cap-
22 ital construction fund to which this subsection ap-
23 plies, the rate of tax taken into account under para-
24 graph (1)(B) with respect to such gain shall not ex-

1 ceed the rate applicable to net capital gain under
2 section 1(h) or 1201(a), as the case may be.

3 “(3) FUNDS TO WHICH SUBSECTION AP-
4 PLIES.—This subsection shall apply to any capital
5 construction fund into which amounts are deposited
6 by reason of the operation of a passenger vessel.

7 “(4) COORDINATION WITH DEDUCTION FOR
8 NET OPERATING LOSSES.—Any earnings excluded
9 from gross income under paragraph (1) shall be ex-
10 cluded in determining taxable income under section
11 172(b)(2).

12 “(5) TAXABLE EARNINGS.—For purposes of
13 this section, the term ‘taxable earnings’ means net
14 earnings determined with the following modifica-
15 tions:

16 “(A) There shall be excluded interest in-
17 come exempt from taxation under section 103.

18 “(B) If the person maintaining the fund is
19 a corporation, there shall be excluded the per-
20 centage applicable under section 243(a)(1) of
21 any dividend received by the fund with respect
22 to which such person would (but for paragraph
23 (1)(A)) be allowed a deduction under section
24 243.

1 “(C) Losses from the sale or exchange of
2 capital assets shall be allowed only to the extent
3 of gains from such sales or exchanges.

4 “(D) There shall be excluded—

5 “(i) earnings on amounts deposited in
6 the fund which are attributable to vessels
7 documented under the laws of the United
8 States for operation in the fisheries of the
9 United States, and

10 “(ii) earnings on earnings described in
11 clause (i).”

12 (2) Subparagraph (D) of section 7518(a)(1) of
13 such Code is amended by inserting “reduced by the
14 tax (if any) imposed on such receipts under sub-
15 section (h)” after “in such fund”.

16 (3) Subparagraph (C) of section 7518(c)(1) of
17 such Code is amended by inserting “except as pro-
18 vided in subsection (h),” before “the earnings”.

19 (4) Paragraph (2) of section 7518(d) of such
20 Code is amended by striking “and” at the end of
21 subparagraph (C), by striking the period at the end
22 of subparagraph (D) and inserting “, and”, and by
23 adding at the end thereof the following new subpara-
24 graph:

1 “(E) in the case of any capital construc-
2 tion fund to which subsection (h) applies, the
3 taxable earnings (as defined in such subsection)
4 of such fund.”

5 (5) Paragraph (3) of section 7518(d) of such
6 Code is amended by adding at the end thereof the
7 following new flush sentence:

8 “In the case of any capital construction fund to
9 which subsection (h) applies, the taxable earnings
10 (as defined in such subsection) of such fund shall
11 not be taken into account under this paragraph.”

12 (6) Paragraph (4) of section 7518(d) of such
13 Code is amended by adding at the end thereof the
14 following new flush sentence:

15 “In the case of any capital construction fund to
16 which subsection (h) applies, the taxable earnings
17 (as defined in such subsection) of such fund shall
18 not be taken into account under subparagraph (B),
19 and subparagraphs (C) and (E) shall not apply.”

20 (7) Paragraph (1) of section 7518(g) of such
21 Code is amended by striking “subsection (h)” and
22 inserting “subsection (i)”.

23 (8) Paragraph (1) of section 7518(e) of such
24 Code is amended by striking “or” at the end of sub-
25 paragraph (B), by striking the period at the end of

1 subparagraph (C) and inserting “, or”, and by in-
2 sserting after subparagraph (C) the following new
3 subparagraph:

4 “(D) the payment of the tax (if any) im-
5 posed by subsection (h).”

6 (b) TREATMENT OF CERTAIN LEASE PAYMENTS.—

7 (1) Paragraph (1) of section 7518(e) of such
8 Code is amended by striking “or” at the end of sub-
9 paragraph (C), by striking the period at the end of
10 subparagraph (D) and inserting “, or”, and by in-
11 sserting after subparagraph (D) the following new
12 subparagraph:

13 “(E) the payment of amounts which reduce
14 the principal amount (as determined under reg-
15 ulations) of a qualified lease of a passenger ves-
16 sel which is a qualified vessel.”

17 (2) Paragraph (4) of section 7518(f) of such
18 Code is amended by inserting “(or to reduce the
19 principal amount of any qualified lease of a pas-
20 senger vessel which is a qualified vessel)” after “in-
21 debtedness”.

22 (c) COMPUTATION OF INTEREST WITH RESPECT TO
23 NONQUALIFIED WITHDRAWALS.—Paragraph (3) of sec-
24 tion 7518(g) of such Code is amended by adding at the
25 end the following flush sentence:

1 “In the case of a withdrawal from a fund to which
2 subsection (n) applies, in lieu of applying subpara-
3 graph (C), no addition to the tax shall be payable
4 under section 6651 and interest on the amount of
5 the additional tax attributable to any item referred
6 to in subparagraph (A) or (B) shall be paid in ac-
7 cordance with section 6601.”

8 (d) PASSENGER VESSEL DESIGN AND ENGINEERING
9 COSTS MAY BE PAID FROM FUNDS.—Paragraph (1) of
10 section 7518(e) of such Code is further amended by strik-
11 ing “or” at the end of subparagraph (D), by striking the
12 period at the end of subparagraph (E) and inserting “,
13 or”, and by inserting after subparagraph (E) the following
14 new subparagraph:

15 “(F) the design and engineering of any
16 construction or reconstruction of a qualified
17 vessel which is a passenger vessel.”

18 (e) EXPANSION OF PERMITTED INVESTMENTS BY
19 PASSENGER VESSEL FUNDS.—Paragraph (2) of section
20 7518(b) of such Code is amended by inserting “(and, in
21 the case of a fund to which subsection (n) applies, other
22 income-producing assets (including accounts receivable)”
23 after “interest-bearing securities”.

24 (f) WITHDRAWALS PERMITTED FOR CERTAIN PRIOR
25 EXPENDITURES.—Paragraph (1) of section 7518(e) of

1 such Code is further amended by striking “or” at the end
2 of subparagraph (E), by striking the period at the end
3 of subparagraph (F) and inserting “, or”, and by inserting
4 after subparagraph (F) the following new subparagraph:

5 “(G) the reimbursement of the person
6 maintaining the fund for amounts expended by
7 such person in the reconstruction of any vessel
8 for which an interim certificate of documenta-
9 tion was issued under section 12113 of title 46,
10 United States Code (as added by H.R. 3821 of
11 the 103d Congress).”

12 (g) AMOUNTS IN CAPITAL CONSTRUCTION FUND BY
13 REASON OF INTERIM CERTIFICATE VESSEL REQUIRED
14 TO BE COMMITTED TO CONSTRUCTION OF NEW QUALI-
15 FIED VESSEL.—Section 7518 of such Code is amended by
16 inserting after subsection (h) the following new subsection:

17 “(i) TAX ON INTERIM CERTIFICATE VESSEL DEPOS-
18 ITS IN FUND WHICH ARE NOT COMMITTED TO NEW
19 CONSTRUCTION, ETC.—

20 “(1) TAX IMPOSED IF CONTRACT FOR CON-
21 STRUCTION OF QUALIFIED VESSEL NOT ENTERED
22 INTO WITHIN 3 YEARS.—If any person deposits any
23 amount into a capital construction fund by reason of
24 the treatment provided by the last sentence of sec-
25 tion 607(k)(1) of the Merchant Marine Act, 1936,

1 and such person fails to enter into a qualified con-
2 tract within the period of 3 years after the date the
3 certificate referred to in such sentence was issued—

4 “(A) such fund shall, at the close of such
5 period, cease to be treated as a capital con-
6 struction fund and shall be treated as distribut-
7 ing all amounts in such fund to such person,
8 and

9 “(B) such person’s tax imposed by chapter
10 1 for the taxable year in which such period ends
11 shall be determined—

12 “(i) by excluding from gross income
13 the amount treated as distributed under
14 subparagraph (A), and

15 “(ii) by increasing the tax imposed by
16 chapter 1 by the product of such amount
17 and the highest rate of tax specified in sec-
18 tion 1 (section 11 in the case of a corpora-
19 tion).

20 “(2) TAX ON WITHDRAWALS NOT USED IN FUR-
21 THERANCE OF CONSTRUCTION CONTRACT.—If there
22 is a withdrawal from a fund referred to in para-
23 graph (1) which is not in furtherance of entering
24 into a qualified contract within such 3 year period,
25 such withdrawal shall not be taxed as otherwise pro-

1 vided in this section and such person's tax imposed
2 by chapter 1 for the taxable year in which such
3 withdrawal is made shall be determined—

4 “(A) by excluding such withdrawal from
5 gross income, and

6 “(B) by increasing the tax imposed by
7 chapter 1 by the product of the amount of such
8 withdrawal and the highest rate of tax specified
9 in section 1 (section 11 in the case of a cor-
10 poration).

11 “(3) QUALIFIED CONTRACT.—For purposes of
12 this subsection, the term ‘qualified contract’ means
13 any contract for the construction of a new qualified
14 vessel the consideration for which will be paid from
15 the capital construction fund referred to in para-
16 graph (1).

17 “(4) COORDINATION WITH DEDUCTION FOR
18 NET OPERATING LOSSES.—Any amount excluded
19 from gross income under this subsection shall be ex-
20 cluded in determining taxable income under section
21 172(b)(2).”

22 (h) OTHER CHANGES.—

23 (1) Subsection (j) of section 7518 of such Code
24 is amended by striking “this section.” and inserting

1 “the United States Passenger Vessel Development
2 Tax Act.”

3 (2) Subparagraph (B) of section 543(a)(1) of
4 such Code is amended to read as follows:

5 “(B) interest on amounts set aside in a capital
6 construction fund under section 607 of the Merchant
7 Marine Act, 1936 (46 App. U.S.C. 1177), or in a
8 construction reserve fund under section 511 of such
9 Act (46 App. U.S.C. 1161),”.

10 (3) Subsection (c) of section 56 is amended by
11 striking paragraph (2) and by redesignating para-
12 graph (3) as paragraph (2).

13 **SEC. 5. 3-YEAR RECOVERY PERIOD FOR UNITED STATES**
14 **FLAG PASSENGER VESSELS.**

15 (a) IN GENERAL.—Subparagraph (A) of section
16 168(e)(3) of the Internal Revenue Code of 1986 is amend-
17 ed by striking “and” at the end of clause (i), by striking
18 the period at the end of clause (ii) and inserting “, and”,
19 and by adding at the end thereof the following:

20 “(iii) any eligible vessel (as defined in
21 section 607(k)(1) of the Merchant Marine
22 Act, 1936) which is a passenger vessel, but
23 only if the original use of such vessel and
24 containers commences with the taxpayer.”

25 (b) MINIMUM TAX TREATMENT.—

1 (1) Subparagraph (B) of section 56(a)(1) of
2 such Code is amended by inserting before the period
3 “or in paragraph (3)(A)(iii) of section 168(e)”.

4 (2) Clause (v) of section 56(g)(4)(A) of such
5 Code is amended by inserting “or in paragraph
6 (3)(A)(iii) of section 168(e)” after “section 168(f)”.

7 **SEC. 6. MODIFICATION OF LIMITATIONS ON DEDUCTIONS**
8 **FOR ATTENDANCE AT CONVENTIONS, ETC.**
9 **ON CRUISE SHIPS.**

10 (a) ONLY HOME PORT OF CRUISE SHIP MUST BE
11 IN UNITED STATES OR POSSESSIONS.—Subparagraph
12 (B) of section 274(h)(2) of the Internal Revenue Code of
13 1986 (relating to conventions on cruise ships) is amended
14 to read as follows:

15 “(B) the home port of such cruise ship is
16 located in the United States or a possession of
17 the United States.”

18 (b) REPEAL OF \$2,000 LIMITATION.—Paragraph (2)
19 of section 274(h) of such Code is amended by striking the
20 last sentence.

21 (c) ONLY 1 REPORTING REQUIREMENT.—Subpara-
22 graph (A) of section 274(h)(5) of such Code is amended
23 by striking “and” at the end and inserting “or”.

24 (d) INTERIM DOCUMENTATION TREATED AS REG-
25 ISTRATION.—Paragraph (2) of section 274(h) of such

1 Code is amended by adding at the end thereof the follow-
2 ing flush sentence:

3 “For purposes of subparagraph (A), documentation
4 under section 12113 of title 46, United States Code
5 (as added by H.R. 3821 of the 103d Congress), shall
6 be treated as registration in the United States.”

7 **SEC. 7. EMPLOYER INCENTIVES FOR TRAVEL AWARDS.**

8 (a) CREDIT FOR CERTAIN TRAVEL AWARDS.—

9 (1) IN GENERAL.—Subpart B of part IV of
10 subchapter A of chapter 1 of the Internal Revenue
11 Code of 1986 is amended by adding at the end
12 thereof the following new section:

13 **“SEC. 30A. EMPLOYEE AWARDS FOR TRAVEL ON DOMESTIC**
14 **CRUISE SHIPS.**

15 “(a) GENERAL RULE.—In the case of an employer,
16 there shall be allowed as a credit against the tax imposed
17 by this section an amount equal to 10 percent of the
18 amount paid or incurred by the taxpayer as a qualified
19 travel award for an employee of the taxpayer.

20 “(b) MAXIMUM CREDIT.—The credit allowed by sub-
21 section (a) for awards made to an employee during the
22 taxable year shall not exceed \$200.

23 “(c) QUALIFIED TRAVEL AWARD.—For purposes of
24 this section, the term ‘qualified travel award’ means any

1 award in recognition of an achievement by an employee
2 for travel on any cruise ship—

3 “(1) which is registered in the United States,
4 and

5 “(2) the home port of which is located in the
6 United States or a possession of the United States.

7 For purposes of paragraph (1), documentation under sec-
8 tion 12113 of title 46, United States Code (as added by
9 H.R. 3821 of the 103d Congress), shall be treated as reg-
10 istration in the United States.”

11 “(d) APPLICATION WITH OTHER CREDITS.—The
12 credit allowed by subsection (a) for any taxable year shall
13 not exceed the excess (if any) of—

14 “(1) the regular tax for the taxable year re-
15 duced by the sum of the credits allowable under sub-
16 part A and sections 27, 28, 29, and 30, over

17 “(2) the tentative minimum tax for the taxable
18 year.”

19 (2) CLERICAL AMENDMENT.—The table of sec-
20 tions for such subpart B is amended by adding at
21 the end thereof the following new item:

“Sec. 30A. Employee awards for travel on domestic cruise ships.”

22 (b) REDUCTION OF DEDUCTION FOR TRAVEL ON
23 FOREIGN CRUISE SHIPS.—Subsection (m) of section 274
24 of such Code (relating to additional limitations on travel

1 expenses) is amended by adding at the end the following
2 new paragraph:

3 “(3) FOREIGN CRUISE SHIPS.—

4 “(A) IN GENERAL.—The amount allowable
5 as a deduction under this chapter for expenses
6 incurred for transportation on any foreign
7 cruise ship shall not exceed 90 percent of the
8 amount of such expenses which would (but for
9 this paragraph) be allowable as a deduction
10 under this chapter.

11 “(B) FOREIGN CRUISE SHIP.—For pur-
12 poses of subparagraph (A), the term ‘foreign
13 cruise ship’ means any cruise ship which does
14 not meet the requirements of subparagraphs
15 (A) and (B) of section 274(h)(2).”

16 **SEC. 8. EFFECTIVE DATES.**

17 (a) IN GENERAL.—Except as otherwise provided in
18 this section, the amendments made by this Act shall apply
19 to taxable years beginning after the date of the enactment
20 of this Act.

21 (b) DEFINITION OF QUALIFIED VESSEL.—The
22 amendments made by section 3(a) shall apply for purposes
23 of determining whether any withdrawal made after De-
24 cember 31, 1992, is a qualified withdrawal (within the

1 meaning of section 607(f) of the Merchant Marine Act,
2 1936, as in effect after such amendments).

3 (c) TAXATION OF EARNINGS.—The amendments
4 made by sections 3(b) and 4(a) shall apply to earnings
5 after December 31, 1992, in taxable years ending after
6 such date.

7 (d) CHANGES IN COMPUTATION OF INTEREST.—The
8 amendments made by sections 3(d) and 4(c) shall apply
9 to withdrawals made after December 31, 1992.

10 (e) QUALIFIED LEASES.—The amendments made by
11 sections 3(c) and 4(b) shall apply to leases in effect on,
12 or entered into after, December 31, 1992.

13 (f) DEPRECIATION.—The amendments made by sec-
14 tion 5 shall apply to property placed in service after De-
15 cember 31, 1992, in taxable years ending after such date.

16 (g) EFFECTIVE DATE.—The amendments made by
17 section 6 shall apply to cruises beginning after the date
18 of the enactment of this Act.

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