

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

# H. R. 691

To amend the Internal Revenue Code of 1986 to encourage immediate investments in new manufacturing and other productive equipment by temporarily allowing an investment tax credit to taxpayers who increase the amount of such investments.

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 27, 1993

Mr. RIDGE 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 immediate investments in new manufacturing and other productive equipment by temporarily 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. SHORT TITLE.**

4 This Act may be cited as the “Competitiveness Tax  
5 Credit Act”.

1 **SEC. 2. TEMPORARY INVESTMENT CREDIT FOR NEW MANU-**  
 2 **FACTURING AND OTHER PRODUCTIVE EQUIP-**  
 3 **MENT.**

4 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-  
 5 ternal Revenue Code of 1986 (relating to amount of in-  
 6 vestment credit) is amended by striking “and” at the end  
 7 of paragraph (2), by striking the period at the end of para-  
 8 graph (3) and inserting “, and”, and by adding at the  
 9 end the following new paragraph:

10 “(4) the manufacturing and other productive  
 11 equipment credit.”

12 (b) AMOUNT OF CREDIT.—Section 48 of such Code  
 13 is amended by adding at the end the following new sub-  
 14 section:

15 “(c) MANUFACTURING AND OTHER PRODUCTIVE  
 16 EQUIPMENT CREDIT.—

17 “(1) IN GENERAL.—For purposes of section 46,  
 18 the manufacturing and other productive equipment  
 19 credit for any taxable year is an amount equal to the  
 20 sum of—

21 “(A) the domestic equipment credit, and

22 “(B) the nondomestic equipment credit.

23 “(2) AMOUNT OF DOMESTIC AND NONDOMESTIC  
 24 EQUIPMENT CREDITS.—For purposes of this sub-  
 25 section—

26 “(A) DOMESTIC EQUIPMENT CREDIT.—

1           “(i) IN GENERAL.—The domestic  
2 equipment credit for any taxable year is 10  
3 percent of the amount equal to the product  
4 of—

5                   “(I) the domestic equipment  
6 ratio, and

7                   “(II) the qualified increase  
8 amount.

9           “(ii) DOMESTIC EQUIPMENT RATIO.—  
10 The domestic equipment ratio for any tax-  
11 able year is a fraction in which—

12                   “(I) the numerator is the aggre-  
13 gate bases of the qualified manufac-  
14 turing and other productive equip-  
15 ment properties placed in service dur-  
16 ing such taxable year which are of do-  
17 mestic origin, and

18                   “(II) the denominator is the ag-  
19 gregate bases of all qualified manufac-  
20 turing and other productive equip-  
21 ment properties placed in service dur-  
22 ing such taxable year.

23           “(B) NONDOMESTIC EQUIPMENT CRED-  
24 IT.—

1           “(i) IN GENERAL.—The nondomestic  
2           equipment credit for any taxable year is 7  
3           percent of the amount equal to the product  
4           of—

5                       “(I) the nondomestic equipment  
6                       ratio, and

7                       “(II) the qualified increase  
8                       amount.

9           “(ii) NONDOMESTIC EQUIPMENT  
10           RATIO.—The nondomestic equipment ratio  
11           for any taxable year is a fraction in  
12           which—

13                       “(I) the numerator is the aggregate  
14                       bases of the qualified manufacturing  
15                       and other productive equipment  
16                       properties placed in service during  
17                       such taxable year which are not of  
18                       domestic origin, and

19                       “(II) the denominator is the aggregate  
20                       bases of all qualified manufacturing  
21                       and other productive equipment  
22                       properties placed in service during  
23                       such taxable year.

24           “(C) DETERMINATION OF DOMESTIC ORI-  
25           GIN.—

1           “(i) IN GENERAL.—Property shall be  
2           treated as being of domestic origin only  
3           if—

4                   “(I) the property was completed  
5                   in the United States, and

6                   “(II) at least 50 percent of the  
7                   basis of the property is attributable to  
8                   value added within the United States.

9           “(ii) UNITED STATES.—The term  
10           ‘United States’ includes the Common-  
11           wealth of Puerto Rico and the possessions  
12           of the United States.

13           “(3) QUALIFIED MANUFACTURING AND OTHER  
14           PRODUCTIVE EQUIPMENT PROPERTY.—For purposes  
15           of this subsection—

16                   “(A) IN GENERAL.—The term ‘qualified  
17                   manufacturing and other productive equipment  
18                   property’ means any property—

19                           “(i) which is used as an integral part  
20                           of the manufacture or production of tan-  
21                           gible personal property and increases the  
22                           efficiency of the manufacturing or produc-  
23                           tion process;

24                           “(ii) which is tangible property to  
25                           which section 168 applies, other than 3-

1 year property (within the meaning of sec-  
2 tion 168(e)),

3 “(iii) which is section 1245 property  
4 (as defined in section 1245(a)(3)), and

5 “(iv)(I) the construction, reconstruc-  
6 tion, or erection of which is completed by  
7 the taxpayer, or

8 “(II) which is acquired by the tax-  
9 payer, if the original use of such property  
10 commences with the taxpayer.

11 “(B) SPECIAL RULE FOR COMPUTER SOFT-  
12 WARE.—In the case of any computer software—

13 “(i) which is used to control or mon-  
14 itor a manufacturing or production proc-  
15 ess,

16 “(ii) which increases the efficiency of  
17 the manufacturing or production process,  
18 and

19 “(iii) with respect to which deprecia-  
20 tion (or amortization in lieu of deprecia-  
21 tion) is allowable,

22 such software shall be treated as qualified man-  
23 ufacturing and other productive equipment  
24 property.

1           “(4) QUALIFIED INCREASE AMOUNT.—For pur-  
2           poses of this subsection—

3           “(A) IN GENERAL.—The term ‘qualified  
4           increase amount’ means the excess (if any) of—

5                   “(i) the aggregate bases of qualified  
6                   manufacturing and other productive equip-  
7                   ment properties placed in service during  
8                   the taxable year, over

9                   “(ii) the base amount.

10           “(B) BASE AMOUNT.—The term ‘base  
11           amount’ means the product of—

12                   “(i) the fixed-base percentage, and

13                   “(ii) the average annual gross receipts  
14                   of the taxpayer for the 4 taxable years pre-  
15                   ceding the taxable year for which the cred-  
16                   it is being determined (in this subsection  
17                   referred to as the ‘credit year’).

18           “(C) MINIMUM BASE AMOUNT.—In no  
19           event shall the base amount be less than 50  
20           percent of the amount determined under sub-  
21           paragraph (A)(i).

22           “(D) FIXED-BASE PERCENTAGE.—

23                   “(i) IN GENERAL.—The fixed-base  
24                   percentage is the percentage which the ag-  
25                   gregate amounts described in subpara-

1 graph (A)(i) for taxable years beginning  
2 after December 31, 1987, and before Jan-  
3 uary 1, 1993, is of the aggregate gross re-  
4 ceipts of the taxpayer for such taxable  
5 years.

6 “(ii) ROUNDING.—The percentages  
7 determined under clause (i) shall be round-  
8 ed to the nearest  $\frac{1}{100}$  of 1 percent.

9 “(E) OTHER RULES.—Rules similar to the  
10 rules of paragraphs (4) and (5) of section 41(c)  
11 shall apply for purposes of this paragraph.

12 “(5) COORDINATION WITH OTHER CREDITS.—  
13 This subsection shall not apply to any property to  
14 which the energy credit or rehabilitation credit  
15 would apply unless the taxpayer elects to waive the  
16 application of such credits to such property.

17 “(6) CERTAIN PROGRESS EXPENDITURE RULES  
18 MADE APPLICABLE.—Rules similar to rules of sub-  
19 sections (c)(4) and (d) of section 46 (as in effect on  
20 the day before the date of the enactment of the Rev-  
21 enue Reconciliation Act of 1990) shall apply for pur-  
22 poses of this subsection.

23 “(7) TERMINATION DATE.—This subsection  
24 shall not apply to any property placed in service

1 after the expiration of the 2-year period beginning  
2 on the date of the enactment of this Act.”

3 (c) TECHNICAL AMENDMENTS.—

4 (1) Clause (ii) of section 49(a)(1)(C) of such  
5 Code is amended by inserting “or qualified manufac-  
6 turing and other productive equipment property”  
7 after “energy property”.

8 (2) Subparagraph (E) of section 50(a)(2) of  
9 such Code is amended by inserting “or 48(c)(6)” be-  
10 fore the period at the end.

11 (3)(A) The section heading for section 48 of  
12 such Code is amended to read as follows:

13 **“SEC. 48. OTHER CREDITS.”**

14 (B) The table of sections for subpart E of part  
15 IV of subchapter A of chapter 1 of such Code is  
16 amended by striking the item relating to section 48  
17 and inserting the following:

“Sec. 48. Other credits.”

18 (d) EFFECTIVE DATE.—The amendments made by  
19 this section shall apply to—

20 (1) property acquired by the taxpayer after the  
21 date of the enactment of this Act, and

22 (2) property the construction, reconstruction, or  
23 erection of which is completed by the taxpayer after  
24 the date of the enactment of this Act, but only to

- 1 the extent of the basis thereof attributable to con-
- 2 struction, reconstruction, or erection after such date.

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