

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

# H. R. 947

To amend the Internal Revenue Code of 1986 to allow a permanent incremental investment credit.

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IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 17, 1993

Mr. LIPINSKI 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 allow a permanent incremental investment credit.

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 “Buy-American Invest-  
5 ment Incentive Act”.

6 **SEC. 2. INCREMENTAL INVESTMENT CREDIT.**

7 (a) ALLOWANCE OF CREDIT.—Section 46 of the In-  
8 ternal Revenue Code of 1986 (relating to amount of in-  
9 vestment credit) is amended by striking “and” at the end  
10 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 incremental investment credit.”

4 (b) AMOUNT OF CREDIT.—Section 48 of such Code  
5 is amended by adding at the end thereof the following new  
6 subsection:

7 “(c) INCREMENTAL INVESTMENT CREDIT.—

8 “(1) IN GENERAL.—For purposes of section 46,  
9 the incremental investment credit for any taxable  
10 year is an amount equal to 10 percent of the excess  
11 (if any) of—

12 “(A) the aggregate bases of qualified in-  
13 vestment credit properties placed in service dur-  
14 ing such taxable year, over

15 “(B) 80 percent of the base amount.

16 “(2) QUALIFIED INVESTMENT CREDIT PROP-  
17 erty.—For purposes of this subsection—

18 “(A) IN GENERAL.—The term ‘qualified  
19 investment credit property’ means any eligible  
20 property—

21 “(i) which is tangible property to  
22 which section 168 applies,

23 “(ii) which is section 1245 property  
24 (as defined in section 1245(a)(3)), and

1           “(iii)(I) the construction, reconstruc-  
2           tion, or erection of which is completed by  
3           the taxpayer, or

4           “(II) which is acquired by the tax-  
5           payer if the original use of such property  
6           commences with the taxpayer.

7           “(B) ELIGIBLE PROPERTY.—

8           “(i) IN GENERAL.—Except as other-  
9           wise provided in this subparagraph, the  
10          term ‘eligible property’ means tangible  
11          property (other than a building, its struc-  
12          tural components, or an air conditioning or  
13          heating unit), but only if such property—

14               “(I) is used as an integral part of  
15               manufacturing, production (including  
16               agriculture), or extraction or of fur-  
17               nishing transportation, communica-  
18               tions, electrical energy, gas, water,  
19               waste disposal, or pollution control  
20               services,

21               “(II) constitutes a research facil-  
22               ity or research equipment used in con-  
23               nection with any of the activities re-  
24               ferred to in subclause (I), or

1 “(III) constitutes a facility used  
2 in connection with any of the activities  
3 referred to in subclause (I) for the  
4 bulk storage of fungible commodities  
5 (including commodities in a liquid or  
6 gaseous state).

7 “(ii) IMPORTED PROPERTY NOT ELIGI-  
8 BLE.—Property shall not be treated as eli-  
9 gible property if—

10 “(I) such property was completed  
11 outside the United States, or

12 “(II) less than 75 percent of the  
13 basis of such property is attributable  
14 to value added within the United  
15 States.

16 For purposes of this clause, the term  
17 ‘United States’ includes the Common-  
18 wealth of Puerto Rico and the possessions  
19 of the United States.

20 “(iii) CERTAIN PROPERTY NOT ELIGI-  
21 BLE.—Any passenger automobile and any  
22 office furnishings shall not be treated as  
23 eligible 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 4 taxable years pre-  
6 ceding the taxable year for which the cred-  
7 it is being determined (hereafter in this  
8 subsection referred to as the ‘credit year’).

9           “(B) MINIMUM BASE AMOUNT.—In no  
10 event shall the base amount be less than 50  
11 percent of the amount determined under para-  
12 graph (1)(A).

13           “(C) FIXED-BASE PERCENTAGE.—

14           “(i) IN GENERAL.—The fixed-base  
15 percentage is the percentage which the ag-  
16 gregate amounts described in paragraph  
17 (1)(A) for taxable years beginning after  
18 December 31, 1987, and before January 1,  
19 1993, is of the aggregate gross receipts of  
20 the taxpayer for such taxable years.

21           “(ii) ROUNDING.—The percentages  
22 determined under clause (i) shall be round-  
23 ed to the nearest  $\frac{1}{100}$  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          (C) INCREMENTAL INVESTMENT CREDIT ALLOWABLE  
16          AGAINST ENTIRE REGULAR TAX AND ALTERNATIVE MIN-  
17          IMUM 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 INCREMENTAL IN-  
23                 VESTMENT 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 incremental invest-  
7 ment credit, and

8           “(ii) then with respect to the incre-  
9 mental investment credit.

10          “(B) RULES FOR APPLICATION OF INCRE-  
11 MENTAL INVESTMENT CREDIT.—

12          “(i) IN GENERAL.—In the case of the  
13 incremental investment credit, in lieu of  
14 applying 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           incremental investment credit).

3           “(C) INCREMENTAL INVESTMENT CRED-  
4           IT.—For purposes of this paragraph, the term  
5           ‘incremental investment credit’ means the credit  
6           allowable 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 incremental invest-  
          ment 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 invest-  
14           ment credit property” after “energy property”.

15           (2) Subparagraph (E) of section 50(a)(2) of  
16           such Code is amended by inserting “or 48(c)(5)” be-  
17           fore the period at the end thereof.

18           (3) Paragraph (5) of section 50(a) of such Code  
19           is amended by adding at the end thereof the follow-  
20           ing new subparagraph:

21           “(D) SPECIAL RULES FOR CERTAIN PROP-  
22           ERTY.—In the case of any qualified investment

1 credit property which is 3-year property (within  
2 the meaning of section 168(e))—

3 “(i) the percentage set forth in clause  
4 (ii) of the table contained in paragraph  
5 (1)(B) shall be 66 percent,

6 “(ii) the percentage set forth in clause  
7 (iii) of such table shall be 33 percent, and

8 “(iii) clauses (iv) and (v) of such table  
9 shall not apply.”

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

12 **“SEC. 48. OTHER CREDITS.”**

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

“Sec. 48. Other credits.”

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

19 (1) property acquired by the taxpayer after De-  
20 cember 3, 1992, and

21 (2) property the construction, reconstruction, or  
22 erection of which is completed by the taxpayer after  
23 December 3, 1992, but only to the extent of the  
24 basis thereof attributable to construction, recon-  
25 struction, or erection after such date.

