

104TH CONGRESS  
1ST SESSION

# H. R. 1171

To amend the Internal Revenue Code of 1986 to provide a shorter recovery period for the depreciation of certain leasehold improvements.

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## IN THE HOUSE OF REPRESENTATIVES

MARCH 8, 1995

Mr. SHAW (for himself, Mr. RANGEL, Mr. CRANE, Mrs. JOHNSON of Connecticut, Mr. THOMAS, Mr. HANCOCK, Mr. NEAL of Massachusetts, Mr. ENGLISH of Pennsylvania, Mr. SAM JOHNSON of Texas, and Mr. HERGER) 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 provide a shorter recovery period for the depreciation of certain leasehold improvements.

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. RECOVERY PERIOD FOR DEPRECIATION OF**  
4 **CERTAIN LEASEHOLD IMPROVEMENTS.**

5 (a) IN GENERAL.—Subsection (c) of section 168 of  
6 the Internal Revenue Code of 1986 (defining applicable  
7 recovery period) is amended by adding at the end the fol-  
8 lowing new paragraph:

1           “(3) QUALIFIED LEASEHOLD IMPROVEMENT  
2 PROPERTY.—

3           “(A) IN GENERAL.—In the case of quali-  
4 fied leasehold improvement property, the appli-  
5 cable recovery period shall be 10 years.

6           “(B) QUALIFIED LEASEHOLD IMPROVE-  
7 MENT PROPERTY DEFINED.—For purposes of  
8 this paragraph, the term ‘qualified leasehold  
9 improvement property’ means any improvement  
10 to an interior portion of a building which is  
11 nonresidential real property if—

12           “(i) such improvement is made under  
13 or pursuant to a lease (as defined in para-  
14 graph (7) of subsection 168 (h))—

15           “(I) by the lessee (or any  
16 sublessee) of such portion, or

17           “(II) by the lessor of such por-  
18 tion,

19           “(ii) such portion is to be occupied ex-  
20 clusively by the lessee (or any sublessee) of  
21 such portion, and

22           “(iii) such improvement is placed in  
23 service more than 3 years after the date  
24 the building was first placed in service.

1           “(C) CERTAIN IMPROVEMENTS NOT IN-  
2           CLUDED.—Such term shall not include any im-  
3           provement for which the expenditure is attrib-  
4           utable to—

5                   “(i) the enlargement of the building,

6                   “(ii) any elevator or escalator,

7                   “(iii) any structural component bene-  
8           fitting a common area, and

9                   “(iv) the internal structural frame-  
10          work of the building.

11          “(D) DEFINITIONS AND SPECIAL RULES.—

12          For purposes of this paragraph—

13                   “(i) COMMITMENT TO LEASE TREAT-  
14           ED AS LEASE.—A commitment to enter  
15           into a lease shall be treated as a lease, and  
16           the parties to such commitment shall be  
17           treated as lessor and lessee, respectively.

18                   “(ii) RELATED PERSONS.—A lease be-  
19           tween related persons shall not be consid-  
20           ered a lease. For purposes of this subpara-  
21           graph, related persons means members of  
22           an affiliated group (as defined in section  
23           1504), or persons having a relationship de-  
24           scribed in subsection (b) of section 267 ex-  
25           cept that, for purposes of this clause, the

1 phrase ‘80 percent or more’ shall be sub-  
2 stituted for the phrase ‘more than 50 per-  
3 cent’ each place it appears in such sub-  
4 section.

5 “(E) RECOVERY PERIOD ALSO USED FOR  
6 MINIMUM TAX, ETC.—The recovery period de-  
7 termined under this paragraph shall also apply  
8 for purposes of subsection (g).”

9 (b) CONFORMING AMENDMENTS.—

10 (1) Subsection (b) of section 168 of the Inter-  
11 nal Revenue Code of 1986 (applying the straight  
12 line method to certain property) is amended by add-  
13 ing the following new subparagraph (F):

14 “(F) Qualified leasehold improvement  
15 property.”

16 (c) EFFECTIVE DATE.—The amendment made by  
17 this section shall apply to qualified leasehold improvement  
18 property placed in service after the date of the enactment  
19 of this Act.

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