

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 2510
OFFERED BY MR. RYAN OF WISCONSIN**

Strike all after the enacting clause and insert the following:

1 **SECTION 1. BONUS DEPRECIATION MODIFIED AND MADE**
2 **PERMANENT.**

3 (a) **MADE PERMANENT; APPLICABLE TO QUALIFIED**
4 **IMPROVEMENT PROPERTY.—**

5 (1) **IN GENERAL.—**Section 168(k)(2) of the In-
6 ternal Revenue Code of 1986 is amended to read as
7 follows:

8 “(2) **QUALIFIED PROPERTY.—**For purposes of
9 this subsection—

10 “(A) **IN GENERAL.—**The term ‘qualified
11 property’ means property—

12 “(i)(I) to which this section applies
13 which has a recovery period of 20 years or
14 less,

15 “(II) which is computer software (as
16 defined in section 167(f)(1)(B)) for which
17 a deduction is allowable under section
18 167(a) without regard to this subsection,

1 “(III) which is water utility property,

2 or

3 “(IV) which is qualified improvement
4 property, and

5 “(ii) the original use of which com-
6 mences with the taxpayer.

7 “(B) EXCEPTION FOR ALTERNATIVE DE-
8 PRECIATION PROPERTY.—The term ‘qualified
9 property’ shall not include any property to
10 which the alternative depreciation system under
11 subsection (g) applies, determined—

12 “(i) without regard to paragraph (7)
13 of subsection (g) (relating to election to
14 have system apply), and

15 “(ii) after application of section
16 280F(b) (relating to listed property with
17 limited business use).

18 “(C) SPECIAL RULES.—

19 “(i) SALE-LEASEBACKS.—For pur-
20 poses of clause (ii) and subparagraph
21 (A)(ii), if property is—

22 “(I) originally placed in service
23 by a person, and

24 “(II) sold and leased back by
25 such person within 3 months after the

1 date such property was originally
2 placed in service,
3 such property shall be treated as originally
4 placed in service not earlier than the date
5 on which such property is used under the
6 leaseback referred to in subclause (II).

7 “(ii) SYNDICATION.—For purposes of
8 subparagraph (A)(ii), if—

9 “(I) property is originally placed
10 in service by the lessor of such prop-
11 erty,

12 “(II) such property is sold by
13 such lessor or any subsequent pur-
14 chaser within 3 months after the date
15 such property was originally placed in
16 service (or, in the case of multiple
17 units of property subject to the same
18 lease, within 3 months after the date
19 the final unit is placed in service, so
20 long as the period between the time
21 the first unit is placed in service and
22 the time the last unit is placed in
23 service does not exceed 12 months),
24 and

1 “(III) the user of such property
2 after the last sale during such 3-
3 month period remains the same as
4 when such property was originally
5 placed in service,

6 such property shall be treated as originally
7 placed in service not earlier than the date
8 of such last sale.

9 “(D) COORDINATION WITH SECTION
10 280F.—For purposes of section 280F—

11 “(i) AUTOMOBILES.—In the case of a
12 passenger automobile (as defined in section
13 280F(d)(5)) which is qualified property,
14 the Secretary shall increase the limitation
15 under section 280F(a)(1)(A)(i) by \$8,000.

16 “(ii) LISTED PROPERTY.—The deduc-
17 tion allowable under paragraph (1) shall be
18 taken into account in computing any re-
19 capture amount under section 280F(b)(2).

20 “(iii) INFLATION ADJUSTMENT.—In
21 the case of any taxable year beginning in
22 a calendar year after 2015, the \$8,000
23 amount in clause (i) shall be increased by
24 an amount equal to—

1 “(I) such dollar amount, multi-
2 plied by

3 “(II) the automobile price infla-
4 tion adjustment determined under sec-
5 tion 280F(d)(7)(B)(i) for the calendar
6 year in which such taxable year begins
7 by substituting ‘2014’ for ‘1987’ in
8 subclause (II) thereof.

9 If any increase under the preceding sen-
10 tence is not a multiple of \$100, such in-
11 crease shall be rounded to the nearest mul-
12 tiple of \$100.

13 “(E) DEDUCTION ALLOWED IN COMPUTING
14 MINIMUM TAX.—For purposes of determining
15 alternative minimum taxable income under sec-
16 tion 55, the deduction under section 167 for
17 qualified property shall be determined without
18 regard to any adjustment under section 56.”.

19 (2) QUALIFIED IMPROVEMENT PROPERTY.—
20 Section 168(k)(3) of such Code is amended to read
21 as follows:

22 “(3) QUALIFIED IMPROVEMENT PROPERTY.—
23 For purposes of this subsection—

24 “(A) IN GENERAL.—The term ‘qualified
25 improvement property’ means any improvement

1 to an interior portion of a building which is
2 nonresidential real property if such improve-
3 ment is placed in service after the date such
4 building was first placed in service.

5 “(B) CERTAIN IMPROVEMENTS NOT IN-
6 CLUDED.—Such term shall not include any im-
7 provement for which the expenditure is attrib-
8 utable to—

9 “(i) the enlargement of the building,

10 “(ii) any elevator or escalator, or

11 “(iii) the internal structural frame-
12 work of the building.”.

13 (b) EXPANSION OF ELECTION TO ACCELERATE AMT
14 CREDITS IN LIEU OF BONUS DEPRECIATION.—Section
15 168(k)(4) of such Code is amended to read as follows:

16 “(4) ELECTION TO ACCELERATE AMT CREDITS
17 IN LIEU OF BONUS DEPRECIATION.—

18 “(A) IN GENERAL.—If a corporation elects
19 to have this paragraph apply for any taxable
20 year—

21 “(i) paragraphs (1) and (2)(D) shall
22 not apply to any qualified property placed
23 in service during such taxable year,

24 “(ii) the applicable depreciation meth-
25 od used under this section with respect to

1 such property shall be the straight line
2 method, and

3 “(iii) the limitation imposed by section
4 53(c) for such taxable year shall be in-
5 creased by the bonus depreciation amount
6 which is determined for such taxable year
7 under subparagraph (B).

8 “(B) BONUS DEPRECIATION AMOUNT.—
9 For purposes of this paragraph—

10 “(i) IN GENERAL.—The bonus depre-
11 ciation amount for any taxable year is an
12 amount equal to 20 percent of the excess
13 (if any) of—

14 “(I) the aggregate amount of de-
15 preciation which would be allowed
16 under this section for qualified prop-
17 erty placed in service by the taxpayer
18 during such taxable year if paragraph
19 (1) applied to all such property (and,
20 in the case of any such property which
21 is a passenger automobile (as defined
22 in section 280F(d)(5)), if paragraph
23 (2)(D) applied to such automobile),
24 over

1 “(II) the aggregate amount of
2 depreciation which would be allowed
3 under this section for qualified prop-
4 erty placed in service by the taxpayer
5 during such taxable year if para-
6 graphs (1) and (2)(D) did not apply
7 to any such property.

8 The aggregate amounts determined under
9 subclauses (I) and (II) shall be determined
10 without regard to any election made under
11 subparagraph (A) or subsection (b)(2)(D),
12 (b)(3)(D), or (g)(7).

13 “(ii) LIMITATION.—The bonus depre-
14 ciation amount for any taxable year shall
15 not exceed the lesser of—

16 “(I) 50 percent of the minimum
17 tax credit under section 53(b) for the
18 first taxable year ending after Decem-
19 ber 31, 2014, or

20 “(II) the minimum tax credit
21 under section 53(b) for such taxable
22 year determined by taking into ac-
23 count only the adjusted net minimum
24 tax for taxable years ending before
25 January 1, 2015 (determined by

1 treating credits as allowed on a first-
2 in, first-out basis).

3 “(iii) AGGREGATION RULE.—All cor-
4 porations which are treated as a single em-
5 ployer under section 52(a) shall be treat-
6 ed—

7 “(I) as 1 taxpayer for purposes
8 of this paragraph, and

9 “(II) as having elected the appli-
10 cation of this paragraph if any such
11 corporation so elects.

12 “(C) CREDIT REFUNDABLE.—For pur-
13 poses of section 6401(b), the aggregate increase
14 in the credits allowable under part IV of sub-
15 chapter A for any taxable year resulting from
16 the application of this paragraph shall be treat-
17 ed as allowed under subpart C of such part
18 (and not any other subpart).

19 “(D) OTHER RULES.—

20 “(i) ELECTION.—Any election under
21 this paragraph may be revoked only with
22 the consent of the Secretary.

23 “(ii) PARTNERSHIPS WITH ELECTING
24 PARTNERS.—In the case of a corporation
25 which is a partner in a partnership and

1 which makes an election under subpara-
2 graph (A) for the taxable year, for pur-
3 poses of determining such corporation's
4 distributive share of partnership items
5 under section 702 for such taxable year—

6 “(I) paragraphs (1) and (2)(D)
7 shall not apply to any qualified prop-
8 erty placed in service during such tax-
9 able year, and

10 “(II) the applicable depreciation
11 method used under this section with
12 respect to such property shall be the
13 straight line method.

14 “(iii) CERTAIN PARTNERSHIPS.—In
15 the case of a partnership in which more
16 than 50 percent of the capital and profits
17 interests are owned (directly or indirectly)
18 at all times during the taxable year by 1
19 corporation (or by corporations treated as
20 1 taxpayer under subparagraph (B)(iii)),
21 each partner shall compute its bonus de-
22 preciation amount under clause (i) of sub-
23 paragraph (B) by taking into account its
24 distributive share of the amounts deter-
25 mined by the partnership under subclauses

1 (I) and (II) of such clause for the taxable
2 year of the partnership ending with or
3 within the taxable year of the partner.”.

4 (c) SPECIAL RULES FOR CERTAIN PLANTS BEARING
5 FRUITS AND NUTS.—Section 168(k) of such Code is
6 amended—

7 (1) by striking paragraph (5), and

8 (2) by inserting after paragraph (4) the fol-
9 lowing new paragraph:

10 “(5) SPECIAL RULES FOR CERTAIN PLANTS
11 BEARING FRUITS AND NUTS.—

12 “(A) IN GENERAL.—In the case of any
13 specified plant which is planted, or is grafted to
14 a plant that has already been planted, by the
15 taxpayer in the ordinary course of the tax-
16 payer’s farming business (as defined in section
17 263A(e)(4)) during a taxable year for which the
18 taxpayer has elected the application of this
19 paragraph—

20 “(i) a depreciation deduction equal to
21 50 percent of the adjusted basis of such
22 specified plant shall be allowed under sec-
23 tion 167(a) for the taxable year in which
24 such specified plant is so planted or graft-
25 ed, and

1 “(ii) the adjusted basis of such speci-
2 fied plant shall be reduced by the amount
3 of such deduction.

4 “(B) SPECIFIED PLANT.—For purposes of
5 this paragraph, the term ‘specified plant’
6 means—

7 “(i) any tree or vine which bears
8 fruits or nuts, and

9 “(ii) any other plant which will have
10 more than one yield of fruits or nuts and
11 which generally has a period of more than
12 2 years from the time of planting or graft-
13 ing to the time at which such plant begins
14 bearing fruits or nuts.

15 Such term shall not include any property which
16 is planted or grafted outside of the United
17 States.

18 “(C) ELECTION REVOCABLE ONLY WITH
19 CONSENT.—An election under this paragraph
20 may be revoked only with the consent of the
21 Secretary.

22 “(D) ADDITIONAL DEPRECIATION MAY BE
23 CLAIMED ONLY ONCE.—If this paragraph ap-
24 plies to any specified plant, such specified plant

1 shall not be treated as qualified property in the
2 taxable year in which placed in service.

3 “(E) DEDUCTION ALLOWED IN COMPUTING
4 MINIMUM TAX.—Rules similar to the rules of
5 paragraph (2)(E) shall apply for purposes of
6 this paragraph.”.

7 (d) CONFORMING AMENDMENTS.—

8 (1) Section 168(e)(6) of such Code is amend-
9 ed—

10 (A) by redesignating subparagraphs (A)
11 and (B) as subparagraphs (D) and (E), respec-
12 tively,

13 (B) by striking all that precedes subpara-
14 graph (D) (as so redesignated) and inserting
15 the following:

16 “(6) QUALIFIED LEASEHOLD IMPROVEMENT
17 PROPERTY.—For purposes of this subsection—

18 “(A) IN GENERAL.—The term ‘qualified
19 leasehold improvement property’ means any im-
20 provement to an interior portion of a building
21 which is nonresidential real property if—

22 “(i) such improvement is made under
23 or pursuant to a lease (as defined in sub-
24 section (h)(7))—

1 “(I) by the lessee (or any sublessee)
2 see) of such portion, or

3 “(II) by the lessor of such portion,
4 tion,

5 “(ii) such portion is to be occupied exclusively
6 by the lessee (or any sublessee) of
7 such portion, and

8 “(iii) such improvement is placed in
9 service more than 3 years after the date
10 the building was first placed in service.

11 “(B) CERTAIN IMPROVEMENTS NOT INCLUDED.—Such term shall not include any improvement for which the expenditure is attributable to—

12 “(i) the enlargement of the building,

13 “(ii) any elevator or escalator,

14 “(iii) any structural component benefiting a common area, or

15 “(iv) the internal structural framework of the building.

16 “(C) DEFINITIONS AND SPECIAL RULES.—

17 For purposes of this paragraph—

18 “(i) COMMITMENT TO LEASE TREATED AS LEASE.—A commitment to enter
19 into a lease shall be treated as a lease, and

1 the parties to such commitment shall be
2 treated as lessor and lessee, respectively.

3 “(ii) RELATED PERSONS.—A lease be-
4 tween related persons shall not be consid-
5 ered a lease. For purposes of the preceding
6 sentence, the term ‘related persons’
7 means—

8 “(I) members of an affiliated
9 group (as defined in section 1504),
10 and

11 “(II) persons having a relation-
12 ship described in subsection (b) of
13 section 267; except that, for purposes
14 of this clause, the phrase ‘80 percent
15 or more’ shall be substituted for the
16 phrase ‘more than 50 percent’ each
17 place it appears in such subsection.”,
18 and

19 (C) by striking “subparagraph (A)” in
20 subparagraph (E) (as so redesignated) and in-
21 serting “subparagraph (D)”.

22 (2) Section 168(e)(7)(B) of such Code is
23 amended by striking “qualified leasehold improve-
24 ment property” and inserting “qualified improve-
25 ment property”.

1 (3) Section 168(e)(8) of such Code is amended
2 by striking subparagraph (D).

3 (4) Section 168(k) of such Code is amended by
4 adding at the end the following new paragraph:

5 “(6) ELECTION OUT.—If a taxpayer makes an
6 election under this paragraph with respect to any
7 class of property for any taxable year, paragraphs
8 (1) and (2)(D) shall not apply to any qualified prop-
9 erty in such class placed in service during such tax-
10 able year. An election under this paragraph may be
11 revoked only with the consent of the Secretary.”.

12 (5) Section 168(l)(3) of such Code is amend-
13 ed—

14 (A) by striking “section 168(k)” in sub-
15 paragraph (A) and inserting “subsection (k)”,
16 and

17 (B) by striking “section 168(k)(2)(D)(i)”
18 in subparagraph (B) and inserting “subsection
19 (k)(2)(B)”.

20 (6) Section 168(l)(4) of such Code is amended
21 by striking “subparagraph (E) of section 168(k)(2)”
22 and all that follows and inserting “subsection
23 (k)(2)(C) shall apply.”.

1 (7) Section 168(l)(5) of such Code is amended
2 by striking “section 168(k)(2)(G)” and inserting
3 “subsection (k)(2)(E)”.

4 (8) Section 263A(c) of such Code is amended
5 by adding at the end the following new paragraph:

6 “(7) COORDINATION WITH SECTION
7 168(k)(5).—This section shall not apply to any
8 amount allowed as a deduction by reason of section
9 168(k)(5) (relating to special rules for certain plants
10 bearing fruits and nuts).”.

11 (9) Section 460(c)(6)(B) of such Code is
12 amended by striking “which—” and all that follows
13 and inserting “which has a recovery period of 7
14 years or less.”.

15 (10) Section 168(k) of such Code is amended
16 by striking “ACQUIRED AFTER DECEMBER 31,
17 2007, AND BEFORE JANUARY 1, 2014” in the head-
18 ing thereof.

19 (e) EFFECTIVE DATES.—

20 (1) IN GENERAL.—Except as otherwise pro-
21 vided in this subsection, the amendments made by
22 this section shall apply to property placed in service
23 after December 31, 2014, in taxable years ending
24 after such date.

1 (2) EXPANSION OF ELECTION TO ACCELERATE
2 AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

3 (A) IN GENERAL.—The amendment made
4 by subsection (b) shall apply to taxable years
5 ending after December 31, 2014.

6 (B) TRANSITIONAL RULE.—In the case of
7 any taxable year beginning before January 1,
8 2015, and ending after December 31, 2014, the
9 limitation under section 168(k)(4)(B)(ii) of the
10 Internal Revenue Code of 1986 (as amended by
11 this section) shall be the sum of—

12 (i) the product of—

13 (I) the maximum increase
14 amount (within the meaning of sec-
15 tion 168(k)(4)(C)(iii) of such Code, as
16 in effect before the amendments made
17 by this section), multiplied by

18 (II) a fraction the numerator of
19 which is the number of days in the
20 taxable year before January 1, 2015,
21 and the denominator of which is the
22 number of days in the taxable year,
23 plus

24 (ii) the product of—

1 (I) such limitation (determined
2 without regard to this subparagraph),
3 multiplied by

4 (II) a fraction the numerator of
5 which is the number of days in the
6 taxable year after December 31, 2014,
7 and the denominator of which is the
8 number of days in the taxable year.

9 (3) SPECIAL RULES FOR CERTAIN PLANTS
10 BEARING FRUITS AND NUTS.—The amendments
11 made by subsection (c) (other than paragraph (1)
12 thereof) shall apply to specified plants (as defined in
13 section 168(k)(5)(B) of the Internal Revenue Code
14 of 1986, as amended by this section) planted or
15 grafted after December 31, 2014.

16 **SEC. 2. BUDGETARY EFFECTS.**

17 The budgetary effects of this Act shall not be entered
18 on either PAYGO scorecard maintained pursuant to sec-
19 tion 4(d) of the Statutory Pay-As-You-Go Act of 2010.

