
RESTORATION OF INVESTMENT CREDIT AND THE ALLOWANCE OF ACCELERATED DEPRECIATION IN THE CASE OF CERTAIN REAL PROPERTY

MAY 24, 1967.—Ordered to be printed

Mr. MILLS, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 6950]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 6950) to restore the investment credit and the allowance of accelerated depreciation in the case of certain real property, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That sections 48(j) and 167(i)(3) of the Internal Revenue Code of 1954 (defining suspension period) are each amended by striking out "December 31, 1967" and inserting in lieu thereof "March 9, 1967".

SEC. 2. (a) Section 48(h)(2) of the Internal Revenue Code of 1954 (defining suspension period property) is amended by striking out subparagraphs (A) and (B) and inserting in lieu thereof the following:

"(A) the physical construction, reconstruction, or erection of which (i) is begun during the suspension period, or (ii) is begun, pursuant to an order placed during such period, before May 24, 1967, or

"(B) which (i) is acquired by the taxpayer during the suspension period, or (ii) is acquired by the taxpayer, pursuant to an order placed during such period, before May 24, 1967.

In applying subparagraph (A) to any section 38 property, there shall be taken into account only that portion of the basis which is properly attributable to construction, reconstruction, or erection before May 24, 1967."

(b) Section 167(i)(1) of such Code (relating to limitation on certain methods of depreciation) is amended—

(1) by striking out “if—” and all that follows in the first sentence and inserting in lieu thereof the following: “if the physical construction, reconstruction, or erection of such property by any person begins during the suspension period, or begins, pursuant to an order placed during such period, before May 24, 1967.”; and

(2) by adding at the end thereof the following new sentence: “In applying this paragraph to any property, there shall be taken into account only that portion of the basis which is properly attributable to construction, reconstruction, or erection before May 24, 1967.”

SEC. 3. Section 48(a)(2) of the Internal Revenue Code of 1954 (relating to property used outside the United States) is amended by inserting before the semicolon at the end of subparagraph (B)(i) “or is operated under contract with the United States”.

SEC. 4. The amendments made by the first three sections of this Act shall apply to taxable years ending after March 9, 1967.

SEC. 5. (a) Funds which become available under the Presidential Election Campaign Fund Act of 1966 shall be appropriated and disbursed only after the adoption by law of guidelines governing their distribution. Section 6096 of the Internal Revenue Code of 1954 shall become applicable only after the adoption by law of such guidelines.

(b) Guidelines adopted in accordance with this section shall state expressly that they are intended to comply with this section.

And the Senate agree to the same.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
JOHN W. BYRNES,
THOS. B. CURTIS,

Managers on the Part of the House.

RUSSELL B. LONG,
G. A. SMATHERS,
CLINTON P. ANDERSON,
ALBERT GORE,
JOHN J. WILLIAMS,
FRANK CARLSON,

Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 6950) to restore the investment credit and the allowance of accelerated depreciation in the case of certain real property, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

SUSPENSION PERIOD

For purposes of the suspension of the investment credit and the allowance of accelerated depreciation in the case of certain real property, sections 48(j) and 167(i)(3) of the Internal Revenue Code of 1954 define the term "suspension period" as the period beginning on October 10, 1966, and ending December 31, 1967. Under the bill as passed by the House, the Senate amendment, and the conference agreement, the last day of the suspension period is March 9, 1967.

SUSPENSION PERIOD PROPERTY

Under existing law, "suspension period property" (property which is subject to the suspension of the investment credit) is defined in general as (A) property the physical construction, reconstruction, or erection of which either begins during the suspension period or pursuant to an order placed during such period, and (B) property acquired by the taxpayer either during the suspension period or pursuant to an order placed during such period.

Under the bill as passed by the House, the definition is limited to property the physical construction, reconstruction, or erection of which begins during the suspension period and to property acquired by the taxpayer during such period. Where the construction, reconstruction, or erection begins during the suspension period, the suspension is to apply only to that portion of the basis which is properly attributable to construction, reconstruction, or erection during the suspension period.

Under the Senate amendment, the definition under existing law would not be changed.

Under the conference agreement, "suspension period property" is defined in general as property (1) the physical construction, reconstruction, or erection of which is begun during the suspension period or is begun, pursuant to an order placed during such period, before May 24, 1967, or (2) which is acquired by the taxpayer during the suspension period or is acquired by the taxpayer, pursuant to an order placed during such period, before May 24, 1967. In applying the definition to property described in clause (1) of the preceding sentence, there is to be taken into account only that portion of the basis which

is properly attributable to construction, reconstruction, or erection before May 24, 1967.

ACCELERATED DEPRECIATION

Under existing law, accelerated depreciation under paragraphs (2), (3), and (4) of section 167(b) of the 1954 code is not applicable in the case of real property the physical construction, reconstruction, or erection of which by any person begins during the suspension period or with respect to which an order for such construction, reconstruction, or erection is placed by any person during such period. Under the bill as passed by the House, only the portion of the basis of the property attributable to construction, etc., during the suspension period is denied accelerated depreciation and the rule applicable to orders placed during the suspension period is eliminated. Under the Senate amendment, no change in existing law would be made. Under the conference agreement, accelerated depreciation is not to apply if the construction, etc., by any person begins during the suspension period or begins, pursuant to an order placed during such period, before May 24, 1967. This rule is to apply only to that portion of the basis which is properly attributable to construction, reconstruction, or erection before May 24, 1967.

LIMITATION ON CREDIT

Under an amendment made by Public Law 89-800, enacted November 8, 1966, where the tax liability exceeds \$25,000, the limitation on the amount of the investment credit allowed for a taxable year was increased from \$25,000 plus 25 percent of the tax liability in excess of \$25,000, to \$25,000 plus 50 percent of such excess. Under Public Law 89-800, the increase applies to taxable years ending after the last day of the suspension period (December 31, 1967) and is prorated where the taxable year begins in 1967 and ends in 1968. Under the bill as passed by the House, the increase would automatically (that is, by reason of the termination of the suspension period on March 9, 1967) take effect for taxable years ending after March 9, 1967. Under the Senate amendment, the increase would take effect for taxable years ending after December 31, 1967. Under the conference agreement, the increase is to take effect as under the bill as passed by the House.

CERTAIN AIRCRAFT

Under existing law property used predominantly outside the United States does not, in general, qualify for the investment credit. One of the exceptions to this rule applies to any aircraft which is registered by the Administrator of the Federal Aviation Agency and which is operated to or from the United States. The Senate amendment extends this exception to any aircraft which is so registered and which is operated under contract with the United States. This provision is included in the bill as agreed to in conference.

PRESIDENTIAL ELECTION CAMPAIGN FUND

The Senate amendment provides that funds which become available under the Presidential Election Campaign Fund Act of 1966 shall be appropriated and disbursed only after the adoption by law of guidelines governing their distribution. The Senate amendment also provides that section 6096 of the Internal Revenue Code of 1954 (which permits an individual taxpayer to designate that \$1 of his income tax be paid into the Presidential Election Campaign Fund) shall become applicable only after the adoption by law of such guidelines. In addition, the Senate amendment provides that guidelines adopted in accordance with the provisions of the Senate amendment shall state expressly that they are intended to comply with such provisions.

These provisions of the Senate amendment are included in the bill as agreed to in conference.

W. D. MILLS,
CECIL R. KING,
HALE BOGGS,
JOHN W. BYRNES,
THOS. B. CURTIS,

Managers on the Part of the House.

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