



Legislative Bulletin.....July 10, 2014

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H.R. 4718 - To amend the Internal Revenue Code of 1986 to modify and make permanent bonus depreciation

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Order of Business: [H.R. 4718](#) is scheduled to be considered on Friday, July 11, 2014, subject to a closed rule.

Summary: This bill makes permanent the additional 50 percent “bonus depreciation” for qualified property that expired at the end of 2013. “Bonus depreciation” is the policy of allowing businesses to claim an additional first-year depreciation deduction equal to 50 percent of the value of the qualified property. The remaining value of the property must be depreciated at the normal depreciation schedule for the property class. The bill expands the class of qualified property to include retail improvement property and also permits a vine or tree bearing fruit to be eligible for bonus depreciation when it is grafted or planted (previously bonus depreciation was only available for this class when placed in service). In addition, the legislation allows taxpayers to claim a portion of unused alternative tax credits (AMT) credits in lieu of bonus depreciation. This AMT provision also expired at the end of 2013. The bill expands the amount of credit a taxpayer may claim to the lesser of (1) 50 percent of the taxpayer’s AMT credit in 2014, or (2) the taxpayer’s AMT credits of taxable years ending before 2014.

Additional Information:

- Supporters of the legislation argue that making bonus depreciation a permanent part of the tax code is pro-growth policy that will encourage businesses to make investments in necessary business assets because of the lower cost of capital. See a press release by the nonpartisan Tax Foundation [here](#).
- This is the fifth permanent extension of tax policy (“tax extenders”) to be considered by the full House of Representatives. “Tax extenders” include more than 50 separate tax provisions, many of which have been extended multiple times. The Committee on Ways and Means has passed eleven bills out of committee to make certain extenders a permanent part of the U.S. tax code. Alternatively, the Senate is considering a tax extenders package that would provide a two-year extension for virtually all of the individual provisions that expired at the end of 2013. These extenders were most recently

enacted as part of the “fiscal cliff” deal at the beginning of 2013. For a detailed discussion on tax extenders see the Issue Brief by the Curtis Dubay with the Heritage Foundation available [here](#). In addition, Americans for Tax Reform also published a discussion on tax extenders available [here](#).

- Committee Report 113-509 accompanying the underlying bill can be viewed [here](#).
- The Joint Committee on Taxation description and background of the legislation can be viewed [here](#).
- Bonus Depreciation has been extended, expanded, or increased seven times.
- Several Democrats have complained the cost of the legislation is not offset by increases elsewhere. However, according to the House Committee on Ways and Means, many leading Democrats supported extending bonus depreciation without offsets during the six times it was extended without offsets.
- House rules instituted when Republicans gained control of the House in 2010 do not require tax cuts to be offset. The underlying premise for this rule is that tax cuts simply result in hardworking taxpayers and businesses keeping money *they have earned* and thus do not necessitate increasing taxes elsewhere. Those who argue for tax cuts to be accompanied by corresponding tax hikes imply that tax cuts result in the federal government giving *its* dollar away.

Committee Action: The legislation was introduced on May 22, 2014, and referred to the House Committee on Ways and Means. On May 29, 2014, the Committee favorably reported the bill by a [vote](#) of 23-11.

Outside Group Support:

- Heritage Action has issued a “[key vote](#)” in support of the bill
- The National Association of Manufacturers has issued a “**key vote**” in support of the bill
- [Americans for Tax Reform](#)
- National Propane Gas Association
- Verizon
- Associated General Contractors of America
- American Rental Association
- United States Telecom Association
- Associated Builders and Contractors, Inc.
- National Retail Federation
- The Wireless Association (“CTIA”)
- T-Mobile
- Aeronautical Repair Station Association
- Aerospace Industries Association
- Air-Conditioning, Heating, and Refrigeration Institute
- Airlines for America
- American Boat Builders & Repairers Association
- American Composites Manufacturers Association
- American Concrete Pressure Pipe Association
- American Farm Bureau Federation
- American Foundry Society
- American Lighting Association

- American Petroleum Institute
- American Trucking Associations
- AMT – The Association for Manufacturing Technology
- Arizona Manufacturers Council
- Arkansas State Chamber of Commerce
- Associated Equipment Distributors
- Associated Industries of Arkansas
- Associated Industries of Florida
- Associated Industries of Missouri
- Association of American Railroads
- Association of Equipment Manufacturers
- Association of Washington Business
- Auto Care Association
- Biotechnology Organization
- Book Manufacturers' Institute, Inc.
- California Manufacturers & Technology Association
- Chemical Coaters Association International
- Corn Refiners Association
- Council of Industry of Southeastern New York
- Forging Industry Association
- Fuel Cell and Hydrogen Energy Association
- General Aviation Manufacturers Association
- Georgia Association of Manufacturers
- Greater North Dakota Chamber
- Illinois Manufacturers' Association
- INDA, Association of the Nonwoven Fabrics Industry
- Indiana Manufacturers Association
- Industrial Energy Consumers of America
- Industrial Fasteners Institute
- Industrial Heating Equipment Association
- Institute of Scrap Recycling Industries
- Interlocking Concrete Pavement Institute
- International Sign Association
- Iowa Association of Business and Industry
- IPC-Association Connecting Electronics Industries
- ISSA-The Worldwide Cleaning Industry Association
- ITTA-The Voice of Mid-Size Telecommunications Carriers
- Kansas Chamber of Commerce
- Kitchen Cabinet Manufacturers Association
- Medical Device Manufacturers Association (MDMA)
- Metals Service Center Institute
- Mississippi Manufacturers Association
- Missouri Association of Manufacturers
- Motor & Equipment Manufacturers Association
- National Air Transportation Association
- National Association of Electrical Distributors

- National Association of Printing Ink Manufacturers
- National Association of Trailer Manufacturers (NATM)
- National Automatic Merchandising Association
- National Business Aviation Association
- National Cable & Telecommunications Association
- National Council for Advanced Manufacturing
- National Electrical Manufacturers Association (NEMA)
- National Marine Manufacturers Association
- National Mining Association
- National Roofing Contractors Association
- National Stone, Sand & Gravel Association
- National Tooling and Machining Association
- National Waste & Recycling Association
- Nebraska Chamber of Commerce & Industry
- Nevada Manufacturers Association
- Non-Ferrous Founders' Society
- North American Die Casting Association
- North Carolina Chamber
- NPES The Association for Suppliers of Printing, Publishing and Converting Technologies
- NTCA-The Rural Broadband Association
- Outdoor Power Equipment Institute
- Portland Cement Association
- Precision Machined Products Association
- Precision Metalforming Association
- Resilient Floor Covering Association
- Rhode Island Manufacturers Association
- San Antonio Manufacturers Association
- Secondary Materials and Recycled Textiles Association (SMART)
- South Carolina Chamber of Commerce
- Southeastern Lumber Manufacturers Association
- Specialty Equipment Market Association
- Specialty Graphics Imaging Association
- SPI: The Plastics Industry Trade Association
- Steel Manufacturers Association
- Texas Association of Manufacturers
- Textile Rental Services Association
- The Hardwood Federation
- The State Chamber of Oklahoma
- U.S. Chamber of Commerce
- United States Telecom Association
- USA Rice Federation
- Valley Industrial Association
- Window and Door Manufacturers Association
- Wisconsin Manufacturers & Commerce
- Woodworking Machinery Industry Association

- World Alliance for Decentralized Energy
- *Specific letters of support available upon request.

Administration Position: No Statement of Administration Position is available.

Cost to Taxpayers: According to the [Joint Committee on Taxation](#) (JCT), the official scorer of tax legislation, implementing the bonus depreciation provision would result in a loss of \$263 billion in revenue to the Federal budget from 2014-2024. JCT also [estimates](#) that implementing the provision to expand the election to accelerate Alternative Minimum Tax (AMT) credits in lieu of bonus depreciation legislation would result in a loss of \$24 billion in revenue to the Federal government from 2014-2014.

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: No.

Does the Bill Contain Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: No.

Constitutional Authority: According to the sponsor, “Congress has the power to enact this legislation pursuant to the following: Article 1, Section 7 and Article 1, Section 8” Congressman Tiberi’s statement in the Congressional Record can be viewed [here](#).

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