

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE

SAN FRANCISCO, CA 94102-3298



February 11, 2016

Advice Letter: 4917-G

Southern California Gas Company
Attention: Sid Newsom
555 West Fifth Street, GT14D6
Los Angeles, CA 90013-1011

SUBJECT: Revision of the Income Tax Component of Contributions and Advances for Construction (ITCCA) and Request for Authority to Issue Refunds for Retroactive Changes to the ITCCA for 2015

Dear Mr. Newsom:

Advice Letter 4917-G is effective as of January 8, 2015, with tariffs effective as of January 1, 2015.

Sincerely,

A handwritten signature in cursive script that reads "Edward Randolph".

Edward Randolph
Director, Energy Division



Ronald van der Leeden
Director
Regulatory Affairs

555 W. Fifth Street, GT14D6
Los Angeles, CA 90013-1011
Tel: 213.244.2009
Fax: 213.244.4957
RvanderLeeden@semprautilities.com

January 8, 2016

Advice No. 4917
(U 904 G)

Public Utilities Commission of the State of California

Subject: Revision of the Income Tax Component of Contributions and Advances for Construction (ITCCA) and Request for Authority to Issue Refunds for Retroactive Changes to the ITCCA for 2015

Southern California Gas Company (SoCalGas) hereby submits revisions to its Preliminary Statement, Part IV, Income Tax Component of Contributions and Advances for Construction to reflect recent legislation retroactively changing the tax factor used to compute the ITCCA for 2015 applicable throughout its service territory, as shown on Attachment A.

Purpose

SoCalGas hereby notifies the California Public Utilities Commission (Commission) that the ITCCA tax factor for customers who make or have made payments in 2015 should be retroactively revised from 35% to 22%. SoCalGas will issue refunds for the difference in the ITCCA tax factor to customers that have paid the 35% tax factor during this time frame. Additionally, the ITCCA tax factor for 2016 through 2019 will be revised in accordance with the legislation changes described below.

Background

SoCalGas' Preliminary Statement, Part IV, provides that Contributions in Aid of Construction (CIAC) and Refundable Advances for Construction (Advances) shall consist of two components: 1) income tax component (ITC) and 2) the balance of the Contribution or Advance. The ITC shall be calculated by multiplying the Balance of Contribution or Advance by the tax factor. The tax factor is established by using "Method 5" in accordance with Ordering Paragraph 3.a of Commission Decision (D.) 87-09-026 as modified by D.87-12-028. D.87-09-026 directs the respondent utilities to file an advice letter to reflect any change in the tax factor, which would increase or decrease the rate by five percentage points or more.

Since February 2008, the Federal Government has enacted, on a temporary basis, a series of income tax revisions intended to stimulate investment in capital projects. The previous income tax revisions were on December 19, 2014 when President Obama signed into law legislation H.R. 5771, the Tax Increase Prevention Act of 2014 (Act), which extended through 2014 a number of temporary tax incentives that had lapsed at the close of 2013. The Act retroactively extended the Federal Depreciation Provisions of the Internal Revenue Code (IRC), resulting in the ITCCA tax factor of 22% through December 31, 2014. As such, the ITCC tax factor reverted to 35% for contributions received on and after January 1, 2015.

On December 18, 2015, President Obama signed into law the Protecting Americans from Tax Hikes Act of 2015 (PATH Act of 2015), which retroactively extended the Federal Depreciation Provisions of the IRC, beginning January 1, 2015 through December 31, 2019, with reduced tax incentives in 2018 and 2019. The extension of the Federal Depreciation Provisions of the IRC results in the following revisions to the ITCCA tax factors:

Period	Tax Factor
1/1/2015 through 12/31/2017	22%
1/1/2018 through 12/31/2018	24%
1/1/2019 through 12/31/2019	27%

To support the retroactive tax factors, SoCalGas includes, as Attachment B, the calculation set forth in Method 5, as described in D.87-09-026 and D. 87-12-028. In addition, a copy of the PATH Act of 2015 (Section 143) is included as Attachment C.

Tariff Revisions

By this filing, SoCalGas hereby revises Preliminary Statement, Part IV, to provide a footnote to denote the 22%, 24%, and 27% tax factors and the applicable time period for which each tax factor applies. However, since the temporary extension expires on December 31, 2019, the 35% tax factor currently referenced in SoCalGas' tariffs shall continue to apply and be applicable to contributions received on or after January 1, 2020.

Protest

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter, which is January 28, 2016. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
 Attention: Tariff Unit
 505 Van Ness Avenue
 San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit (EDTariffUnit@cpuc.ca.gov). A copy of the protest shall also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Sid Newsom
Regulatory Tariff Manager - GT14D6
555 West Fifth Street
Los Angeles, CA 90013-1011
Facsimile No. (213) 244-4957
E-Mail: snewsom@semprautilities.com

Effective Date

SoCalGas believes this Advice Letter is subject to Energy Division disposition and should be classified as Tier 1 (effective pending disposition) pursuant to GO 96-B. Therefore, SoCalGas requests that this filing be effective on January 8, 2016, the date filed, with the tariffs effective on January 1, 2015, the date on which the additional depreciation allowance is extended, as set forth Section 143 of the PATH Act of 2015.

Notice

A copy of this advice letter is being sent to SoCalGas' GO 96-B service list. Address change requests to the GO 96-B should be directed by electronic mail to tariffs@socalgas.com or call 213-244-3387.

Ronald van der Leeden
Director – Regulatory Affairs

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SOUTHERN CALIFORNIA GAS COMPANY (U 904-G)**

Utility type:

ELC GAS
 PLC HEAT WATER

Contact Person: Sid Newsom

Phone #: (213) 244-2846

E-mail: snewsom@semprautilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 4917

Subject of AL: Revision of the Income Tax Component of Contributions and Advances for Construction (ITCCA) and Request for Authority to Issue Refunds for Retroactive Changes to the ITCCA for 2015

Keywords (choose from CPUC listing): Preliminary Statement

AL filing type: Monthly Quarterly Annual One-Time Other Periodic

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.87-09-026 and D.87-12-028

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL No

Summarize differences between the AL and the prior withdrawn or rejected AL¹: N/A

Does AL request confidential treatment? If so, provide explanation: No

Resolution Required? Yes No

Tier Designation: 1 2 3

Requested effective date: January 8, 2016

No. of tariff sheets: 2

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: PS IV and TOCs

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: _____

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.
San Francisco, CA 94102
EDTariffUnit@cpuc.ca.gov

Southern California Gas Company
Attention: Sid Newsom
555 West Fifth Street, GT14D6
Los Angeles, CA 90013-1011
snewsom@semprautilities.com
tariffs@socalgas.com

¹ Discuss in AL if more space is needed.

ATTACHMENT A
Advice No. 4917

Cal. P.U.C. Sheet No.	Title of Sheet	Cancelling Cal. P.U.C. Sheet No.
Revised 52273-G	PRELIMINARY STATEMENT, PART IV, INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES, Sheet 1	Revised 51095-G
Revised 52274-G	TABLE OF CONTENTS	Revised 52253-G

PRELIMINARY STATEMENT

Sheet 1

PART IV
INCOME TAX COMPONENT OF CONTRIBUTIONS AND ADVANCES

Contributions in Aid of Construction (CIAC) and Refundable Advances for Construction (Advances) shall include federal and state taxes applicable, but not limited, to cash, services, facilities, labor, and property provided by a person or agency to the Utility. The value of all contributions and advances shall consist of two components for the purpose of recording transactions as follows:

- (1) Income Tax Component of Contributions and Advances (ITCCA), and
- (2) The balance of the contribution or advance.

The ITCCA shall be calculated by multiplying the balance of the CIAC or Advance by the tax factor of 35% beginning January 1, 2020, and thereafter.¹

The Utility shall make advice letter filings to reflect any changes in the tax factor that would increase or decrease the tax factor by five percentage points or more.

The tax factor is established in accordance with Ordering Paragraph 3.a. of Decision 87-09-026, as modified by Decision 87-12-028.

State tax shall be collected in accordance with Ordering Paragraph 6 of Decision 87-09-026.

Pursuant to Assembly Bill 1757, California Corporate Franchise Tax shall be collected beginning January 1, 1992.

Utility shall recover through rates any penalties, interest or taxes incurred if the Internal Revenue Service (IRS) deems the method of tax collection authorized by Decision 87-09-026 a violation of the tax normalization rules and imposes additional taxes, penalties and interest.

A Public Benefit Exemption may apply on a CIAC or Advance made to the Utility by a government agency on the basis of either:

- (1) the CIAC or Advance is exempt from the ITCCA tax because it is made pursuant to actual condemnation or the threat thereof as recognized by Internal Revenue Code Section 1033; or,
- (2) the CIAC or Advance is exempt because it does not reasonably relate to the provision of service but rather to the benefit of the public at large.

¹ Pursuant to the Protecting Americans from Tax Hikes Act of 2015, which retroactively extended the Federal Depreciation Provisions of the Internal Revenue Code through December 31, 2019 with reduced tax incentives in 2018 and 2019, a Tax Factor of: 1) 22% is applicable to contributions received by SoCalGas between January 1, 2015 and December 31, 2017; 2) 24% is applicable to contributions received between January 1, 2018 and December 31, 2018; and 3) 27% is applicable to contributions received between January 1, 2019 and December 31, 2019.

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVICE LETTER NO. 4917
 DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 SUBMITTED Jan 8, 2016
 EFFECTIVE Jan 8, 2016
 RESOLUTION NO. _____

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TABLE OF CONTENTS

The following listed sheets contain all effective Schedules of Rates and Rules affecting service and information relating thereto in effect on the date indicated thereon.

GENERAL

Cal. P.U.C. Sheet No.

Title Page 40864-G
 Table of Contents--General and Preliminary Statement 52274-G,52170.1-G,52218-G,52172-G
 Table of Contents--Service Area Maps and Descriptions 41970-G
 Table of Contents--Rate Schedules 52247-G,52248-G,52252-G
 Table of Contents--List of Cities and Communities Served 51971-G
 Table of Contents--List of Contracts and Deviations 51971-G
 Table of Contents--Rules 51681-G,52143-G
 Table of Contents--Sample Forms 51497-G,51536-G,51537-G,51750-G,50598-G

PRELIMINARY STATEMENT

Part I General Service Information 45597-G,24332-G,24333-G,24334-G,48970-G
 Part II Summary of Rates and Charges 52225-G,52226-G,52227-G,52183-G,52184-G,52228-G
 52220-G,46431-G,46432-G,52164-G,52229-G,52230-G,52231-G,52189-G
 Part III Cost Allocation and Revenue Requirement 52190-G,50447-G,50448-G
 Part IV Income Tax Component of Contributions and Advances 52273-G,24354-G
 Part V Balancing Accounts
 Description and Listing of Balancing Accounts 51893-G
 Purchased Gas Account (PGA) 51641-G,49672-G
 Core Fixed Cost Account (CFCA) 51352-G,51353-G
 Noncore Fixed Cost Account (NFCA) 51354-G,51642-G,51356-G
 Enhanced Oil Recovery Account (EORA) 49712-G
 Noncore Storage Balancing Account (NSBA) 50450-G,50451-G
 California Alternate Rates for Energy Account (CAREA) 45882-G,45883-G
 Hazardous Substance Cost Recovery Account (HSCRA) 40875-G, 40876-G,40877-G
 Gas Cost Rewards and Penalties Account (GCRPA) 40881-G
 Pension Balancing Account (PBA) 49309-G,49310-G
 Post-Retirement Benefits Other Than Pensions Balancing Account (PBOPBA) . 49311-G,49312-G
 Research Development and Demonstration Surcharge Account (RDDGSA).....40888-G
 Demand Side Management Balancing Account (DSMBA).....45194-G,41153-G
 Direct Assistance Program Balancing Account (DAPBA)40890-G
 Integrated Transmission Balancing Account (ITBA)49313-G

(Continued)

(TO BE INSERTED BY UTILITY)
 ADVISE LETTER NO. 4917
 DECISION NO. 87-09-026 & 87-12-028

ISSUED BY
Dan Skopec
 Vice President
 Regulatory Affairs

(TO BE INSERTED BY CAL. PUC)
 DATE FILED Jan 8, 2016
 EFFECTIVE Jan 8, 2016
 RESOLUTION NO. _____

ATTACHMENT B

Advice No. 4917

Tax Factor Calculations Using Method 5

Adopted by D.87-09-026 and D.87-12-028

**CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
WITH 50% BONUS DEPRECIATION**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
YEAR	TAX PMT/(BEN) REFLECTING CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	PRE-TAX RATE OF RETURN 17.000%	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT		
1	438.4	1,000	3.334%	8.840%	2.9473	51.875%	35.00%	181.5625	253.8902	346.1451	17.000%	58.8447	0.8929	52.5399	1	-0.8929
2	-30.94		6.445%		5.6974	3.610%		11.6034	205.6494	229.7698	17.000%	39.0609	0.7972	31.1391	2	-0.7972
3			6.016%		5.3181	3.339%		9.6924	190.6389	198.1441	17.000%	33.6845	0.7118	23.9760	3	-0.7118
4			5.615%		4.9637	3.089%		8.9502	176.7250	183.6820	17.000%	31.2259	0.6355	19.8446	4	-0.6355
5			5.241%		4.6330	2.857%		8.2622	163.8298	170.2774	17.000%	28.9472	0.5674	16.4254	5	-0.5674
6			4.892%		4.3245	2.643%		7.6290	151.8764	157.8531	17.000%	26.8350	0.5066	13.5954	6	-0.5066
7			4.566%		4.0363	2.444%		7.0404	140.7996	146.3380	17.000%	24.8775	0.4523	11.2533	7	-0.4523
8			4.261%		3.7667	2.261%		6.5008	130.5322	135.6659	17.000%	23.0632	0.4039	9.3148	8	-0.4039
9			3.977%		3.5157	2.231%		6.4902	120.5263	125.5292	17.000%	21.3400	0.3606	7.6954	9	-0.3606
10			3.712%		3.2814	2.231%		6.5780	110.6669	115.5966	17.000%	19.6514	0.3220	6.3272	10	-0.3220
11			3.465%		3.0631	2.231%		6.6600	100.9438	105.8053	17.000%	17.9869	0.2875	5.1708	11	-0.2875
12			3.234%		2.8589	2.231%		6.7364	91.3485	96.1461	17.000%	16.3448	0.2567	4.1953	12	-0.2567
13			3.018%		2.6679	2.231%		6.8079	81.8727	86.6106	17.000%	14.7238	0.2292	3.3743	13	-0.2292
14			2.817%		2.4902	2.231%		6.8747	72.5077	77.1902	17.000%	13.1223	0.2046	2.6851	14	-0.2046
15			2.630%		2.3249	2.231%		6.9369	63.2459	67.8768	17.000%	11.5391	0.1827	2.1082	15	-0.1827
16			2.455%		2.1702	2.231%		6.9948	54.0809	58.6634	17.000%	9.9728	0.1631	1.6268	16	-0.1631
17			2.367%		2.0924	2.231%		7.0489	44.9396	49.5103	17.000%	8.4167	0.1456	1.2258	17	-0.1456
18			2.367%		2.0924	2.231%		7.0762	35.7710	40.3553	17.000%	6.8604	0.1300	0.8921	18	-0.1300
19			2.367%		2.0924	2.231%		7.0762	26.6025	31.1868	17.000%	5.3017	0.1161	0.6156	19	-0.1161
20			2.367%		2.0924	2.231%		7.0762	17.4339	22.0182	17.000%	3.7431	0.1037	0.3880	20	-0.1037
21			2.367%		2.0924	1.116%		3.1737	12.1679	14.8009	17.000%	2.5162	0.0926	0.2329	21	-0.0926
22			2.367%		2.0924			(0.7323)	10.8078	11.4878	17.000%	1.9529	0.0826	0.1614	22	-0.0826
23			2.367%		2.0924			(0.7323)	9.4477	10.1278	17.000%	1.7217	0.0738	0.1270	23	-0.0738
24			2.367%		2.0924			(0.7323)	8.0877	8.7677	17.000%	1.4905	0.0659	0.0982	24	-0.0659
25			2.367%		2.0924			(0.7323)	6.7276	7.4076	17.000%	1.2593	0.0588	0.0741	25	-0.0588
26			2.367%		2.0924			(0.7323)	5.3676	6.0476	17.000%	1.0281	0.0525	0.0540	26	-0.0525
27			2.367%		2.0924			(0.7323)	4.0075	4.6875	17.000%	0.7969	0.0469	0.0374	27	-0.0469
28			2.367%		2.0924			(0.7323)	2.6474	3.3275	17.000%	0.5657	0.0419	0.0237	28	-0.0419
29			2.367%		2.0924			(0.7323)	1.2874	1.9674	17.000%	0.3345	0.0374	0.0125	29	-0.0374
30			2.367%		2.0924			(0.7323)	(0.0727)	0.6073	17.000%	0.1032	0.0334	0.0034	30	-0.0334
31			1.184%		1.0467			(0.7323)	(0.3870)	(0.2299)	17.000%	(0.0391)	0.0298	-0.0012	31	-0.0298
32					0.0000			(0.3663)	(0.0207)	(0.2039)	17.000%	(0.0347)	0.0266	-0.0009	32	-0.0266
			100.000%		88.3996	100.0%		319.0811				427.2371		215.2158		
	407.46							407.4807				215.2158	/ 1000	21.5200%		
														22.0000%		

**CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
WITH 40% BONUS DEPRECIATION**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
YEAR	TAX PMT/(BEN) REFLECTING CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	PRE-TAX RATE OF RETURN 17.000%	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT		
1	438.4	1,000	3.334%	8.840%	2.9473	42.250%	35.00%	147.8750	287.5777	362.9889	17.000%	61.7081	0.8929	55.0965	1	-0.8929
2	-30.94		6.445%		5.6974	4.331%		14.1269	236.8134	262.1956	17.000%	44.5732	0.7972	35.5335	2	-0.7972
3			6.016%		5.3181	4.006%		12.0269	219.4684	228.1409	17.000%	38.7840	0.7118	27.6057	3	-0.7118
4			5.615%		4.9637	3.706%		11.1097	203.3950	211.4317	17.000%	35.9434	0.6355	22.8427	4	-0.6355
5			5.241%		4.6330	3.428%		10.2607	188.5013	195.9482	17.000%	33.3112	0.5674	18.9017	5	-0.5674
6			4.892%		4.3245	3.171%		9.4770	174.6999	181.6006	17.000%	30.8721	0.5066	15.6408	6	-0.5066
7			4.566%		4.0363	2.933%		8.7519	161.9116	168.3058	17.000%	28.6120	0.4523	12.9426	7	-0.4523
8			4.261%		3.7667	2.713%		8.0828	150.0622	155.9869	17.000%	26.5178	0.4039	10.7101	8	-0.4039
9			3.977%		3.5157	2.677%		8.0512	138.4953	144.2787	17.000%	24.5274	0.3606	8.8448	9	-0.3606
10			3.712%		3.2814	2.677%		8.1390	127.0749	132.7851	17.000%	22.5735	0.3220	7.2681	10	-0.3220
11			3.465%		3.0631	2.677%		8.2210	115.7908	121.4328	17.000%	20.6436	0.2875	5.9345	11	-0.2875
12			3.234%		2.8589	2.677%		8.2974	104.6345	110.2126	17.000%	18.7361	0.2567	4.8091	12	-0.2567
13			3.018%		2.6679	2.677%		8.3689	93.5977	99.1161	17.000%	16.8497	0.2292	3.8615	13	-0.2292
14			2.817%		2.4902	2.677%		8.4357	82.6717	88.1347	17.000%	14.9829	0.2046	3.0658	14	-0.2046
15			2.630%		2.3249	2.677%		8.4979	71.8489	77.2603	17.000%	13.1343	0.1827	2.3996	15	-0.1827
16			2.455%		2.1702	2.677%		8.5558	61.1229	66.4859	17.000%	11.3026	0.1631	1.8437	16	-0.1631
17			2.367%		2.0924	2.677%		8.6099	50.4206	55.7718	17.000%	9.4812	0.1456	1.3809	17	-0.1456
18			2.367%		2.0924	2.677%		8.6372	39.6910	45.0558	17.000%	7.6595	0.1300	0.9960	18	-0.1300
19			2.367%		2.0924	2.677%		8.6372	28.9615	34.3263	17.000%	5.8355	0.1161	0.6775	19	-0.1161
20			2.367%		2.0924	2.677%		8.6372	18.2319	23.5967	17.000%	4.0114	0.1037	0.4158	20	-0.1037
21			2.367%		2.0924	1.339%		3.9542	12.1854	15.2086	17.000%	2.5855	0.0926	0.2393	21	-0.0926
22			2.367%		2.0924			(0.7323)	10.8253	11.5053	17.000%	1.9559	0.0826	0.1616	22	-0.0826
23			2.367%		2.0924			(0.7323)	9.4652	10.1453	17.000%	1.7247	0.0738	0.1273	23	-0.0738
24			2.367%		2.0924			(0.7323)	8.1052	8.7852	17.000%	1.4935	0.0659	0.0984	24	-0.0659
25			2.367%		2.0924			(0.7323)	6.7451	7.4252	17.000%	1.2623	0.0588	0.0743	25	-0.0588
26			2.367%		2.0924			(0.7323)	5.3851	6.0651	17.000%	1.0311	0.0525	0.0542	26	-0.0525
27			2.367%		2.0924			(0.7323)	4.0250	4.7050	17.000%	0.7999	0.0469	0.0375	27	-0.0469
28			2.367%		2.0924			(0.7323)	2.6649	3.3450	17.000%	0.5686	0.0419	0.0238	28	-0.0419
29			2.367%		2.0924			(0.7323)	1.3049	1.9849	17.000%	0.3374	0.0374	0.0126	29	-0.0374
30			2.367%		2.0924			(0.7323)	(0.0552)	0.6249	17.000%	0.1062	0.0334	0.0035	30	-0.0334
31			1.184%		1.0467			(0.7323)	(0.3695)	(0.2124)	17.000%	(0.0361)	0.0298	-0.0011	31	-0.0298
32					0.0000			(0.3663)	(0.0032)	(0.1864)	17.000%	(0.0317)	0.0266	-0.0008	32	-0.0266
			100.000%		88.3996	100.0%		319.0636				481.8568		241.6015		
	407.46							407.4632				241.6015	/ 1000	24.1600%		
														24.0000%		

**CIAC GROSS-UP COMPUTATION INCLUDING CALIFORNIA TAXES
WITH 30% BONUS DEPRECIATION**

(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)		
YEAR	TAX PMT/(BEN) REFLECTING CIAC OF \$1,000	TAX BASIS	CALIFORNIA DEPRECIATION RATES	CALIFORNIA RATES	STATE TAX BENEFIT	MODIFIED MACRS RATES	FEDERAL TAX RATE	FEDERAL TAX BENEFIT	REMAINING CIAC PAYABLE	WTD. AVG. UNRECOVERED TAX PMT.	PRE-TAX RATE OF RETURN 17.000%	REVENUE REQUIREMENT ON REMAINING INVESTMENT	DISCOUNT FACTOR 0.12	DISCOUNTED REVENUE REQUIREMENT ON REMAINING INVESTMENT		
1	438.4	1,000	3.334%	8.840%	2.9473	32.625%	35.00%	114.1875	321.2652	379.8326	17.000%	64.5715	0.8929	57.6531	1	-0.8929
2	-30.94		6.445%		5.6974	5.053%		16.6539	267.9739	294.6196	17.000%	50.0853	0.7972	39.9277	2	-0.7972
3			6.016%		5.3181	4.674%		14.3649	248.2909	258.1324	17.000%	43.8825	0.7118	31.2347	3	-0.7118
4			5.615%		4.9637	4.324%		13.2727	230.0545	239.1727	17.000%	40.6594	0.6355	25.8398	4	-0.6355
5			5.241%		4.6330	3.999%		12.2592	213.1623	221.6084	17.000%	37.6734	0.5674	21.3769	5	-0.5674
6			4.892%		4.3245	3.700%		11.3285	197.5094	205.3358	17.000%	34.9071	0.5066	17.6850	6	-0.5066
7			4.566%		4.0363	3.422%		10.4634	183.0096	190.2595	17.000%	32.3441	0.4523	14.6308	7	-0.4523
8			4.261%		3.7667	3.165%		9.6648	169.5782	176.2939	17.000%	29.9700	0.4039	12.1044	8	-0.4039
9			3.977%		3.5157	3.123%		9.6122	156.4503	163.0142	17.000%	27.7124	0.3606	9.9934	9	-0.3606
10			3.712%		3.2814	3.123%		9.7000	143.4689	149.9596	17.000%	25.4931	0.3220	8.2081	10	-0.3220
11			3.465%		3.0631	3.123%		9.7820	130.6238	137.0463	17.000%	23.2979	0.2875	6.6976	11	-0.2875
12			3.234%		2.8589	3.123%		9.8584	117.9065	124.2651	17.000%	21.1251	0.2567	5.4223	12	-0.2567
13			3.018%		2.6679	3.123%		9.9299	105.3087	111.6076	17.000%	18.9733	0.2292	4.3482	13	-0.2292
14			2.817%		2.4902	3.123%		9.9967	92.8217	99.0652	17.000%	16.8411	0.2046	3.4460	14	-0.2046
15			2.630%		2.3249	3.123%		10.0589	80.4379	86.6298	17.000%	14.7271	0.1827	2.6906	15	-0.1827
16			2.455%		2.1702	3.123%		10.1168	68.1509	74.2944	17.000%	12.6301	0.1631	2.0602	16	-0.1631
17			2.367%		2.0924	3.123%		10.1709	55.8876	62.0193	17.000%	10.5433	0.1456	1.5356	17	-0.1456
18			2.367%		2.0924	3.123%		10.1982	43.5970	49.7423	17.000%	8.4562	0.1300	1.0996	18	-0.1300
19			2.367%		2.0924	3.123%		10.1982	31.3065	37.4518	17.000%	6.3668	0.1161	0.7392	19	-0.1161
20			2.367%		2.0924	3.123%		10.1982	19.0159	25.1612	17.000%	4.2774	0.1037	0.4434	20	-0.1037
21			2.367%		2.0924	1.562%		4.7347	12.1889	15.6024	17.000%	2.6524	0.0926	0.2455	21	-0.0926
22			2.367%		2.0924			(0.7323)	10.8288	11.5088	17.000%	1.9565	0.0826	0.1617	22	-0.0826
23			2.367%		2.0924			(0.7323)	9.4687	10.1488	17.000%	1.7253	0.0738	0.1273	23	-0.0738
24			2.367%		2.0924			(0.7323)	8.1087	8.7887	17.000%	1.4941	0.0659	0.0984	24	-0.0659
25			2.367%		2.0924			(0.7323)	6.7486	7.4286	17.000%	1.2629	0.0588	0.0743	25	-0.0588
26			2.367%		2.0924			(0.7323)	5.3886	6.0686	17.000%	1.0317	0.0525	0.0542	26	-0.0525
27			2.367%		2.0924			(0.7323)	4.0285	4.7085	17.000%	0.8005	0.0469	0.0375	27	-0.0469
28			2.367%		2.0924			(0.7323)	2.6684	3.3485	17.000%	0.5692	0.0419	0.0238	28	-0.0419
29			2.367%		2.0924			(0.7323)	1.3084	1.9884	17.000%	0.3380	0.0374	0.0126	29	-0.0374
30			2.367%		2.0924			(0.7323)	(0.0517)	0.6283	17.000%	0.1068	0.0334	0.0036	30	-0.0334
31			1.184%		1.0467			(0.7323)	(0.3660)	(0.2089)	17.000%	(0.0355)	0.0298	-0.0011	31	-0.0298
32					0.0000			(0.3663)	0.0003	(0.1829)	17.000%	(0.0311)	0.0266	-0.0008	32	-0.0266
			100.000%		88.3996	100.0%		319.0601				536.4079		267.9738		
	407.46							407.4597				267.9738	/ 1000	26.8000%		
														27.0000%		

ATTACHMENT C

Advice No. 4917

**Protecting Americans from
Tax Hikes Act of 2015
Section 143**

1 “(B) includes a period in which the indi-
2 vidual was receiving unemployment compensa-
3 tion under State or Federal law.”.

4 (c) EFFECTIVE DATES.—

5 (1) EXTENSION.—The amendment made by
6 subsection (a) shall apply to individuals who begin
7 work for the employer after December 31, 2014.

8 (2) MODIFICATION.—The amendments made by
9 subsection (b) shall apply to individuals who begin
10 work for the employer after December 31, 2015.

11 **SEC. 143. EXTENSION AND MODIFICATION OF BONUS DE-**
12 **PRECIATION.**

13 (a) EXTENDED FOR 2015.—

14 (1) IN GENERAL.—Section 168(k)(2) is amend-
15 ed—

16 (A) by striking “January 1, 2016” in sub-
17 paragraph (A)(iv) and inserting “January 1,
18 2017”, and

19 (B) by striking “January 1, 2015” each
20 place it appears and inserting “January 1,
21 2016”.

22 (2) SPECIAL RULE FOR FEDERAL LONG-TERM
23 CONTRACTS.—Section 460(c)(6)(B)(ii) is amended
24 by striking “January 1, 2015 (January 1, 2016”
25 and inserting “January 1, 2016 (January 1, 2017”.

1 (3) EXTENSION OF ELECTION TO ACCELERATE
2 AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—

3 (A) IN GENERAL.—Section
4 168(k)(4)(D)(iii)(II) is amended by striking
5 “January 1, 2015” and inserting “January 1,
6 2016”.

7 (B) ROUND 5 EXTENSION PROPERTY.—
8 Section 168(k)(4) is amended by adding at the
9 end the following new subparagraph:

10 “(L) SPECIAL RULES FOR ROUND 5 EX-
11 TENSION PROPERTY.—

12 “(i) IN GENERAL.—In the case of
13 round 5 extension property, in applying
14 this paragraph to any taxpayer—

15 “(I) the limitation described in
16 subparagraph (B)(i) and the business
17 credit increase amount under sub-
18 paragraph (E)(iii) thereof shall not
19 apply, and

20 “(II) the bonus depreciation
21 amount, maximum amount, and max-
22 imum increase amount shall be com-
23 puted separately from amounts com-
24 puted with respect to eligible qualified

1 property which is not round 5 exten-
2 sion property.

3 “(ii) ELECTION.—

4 “(I) A taxpayer who has an elec-
5 tion in effect under this paragraph for
6 round 4 extension property shall be
7 treated as having an election in effect
8 for round 5 extension property unless
9 the taxpayer elects to not have this
10 paragraph apply to round 5 extension
11 property.

12 “(II) A taxpayer who does not
13 have an election in effect under this
14 paragraph for round 4 extension prop-
15 erty may elect to have this paragraph
16 apply to round 5 extension property.

17 “(iii) ROUND 5 EXTENSION PROP-
18 erty.—For purposes of this subpara-
19 graph, the term ‘round 5 extension prop-
20 erty’ means property which is eligible
21 qualified property solely by reason of the
22 extension of the application of the special
23 allowance under paragraph (1) pursuant to
24 the amendments made by section
25 143(a)(1) of the Protecting Americans

1 from Tax Hikes Act of 2015 (and the ap-
2 plication of such extension to this para-
3 graph pursuant to the amendment made
4 by section 143(a)(3) of such Act).”.

5 (4) CONFORMING AMENDMENTS.—

6 (A) The heading for section 168(k) is
7 amended by striking “JANUARY 1, 2015” and
8 inserting “JANUARY 1, 2016”.

9 (B) The heading for section
10 168(k)(2)(B)(ii) is amended by striking “PRE-
11 JANUARY 1, 2015” and inserting “PRE-JANUARY
12 1, 2016”.

13 (5) EFFECTIVE DATE.—

14 (A) IN GENERAL.—Except as provided in
15 subparagraph (B), the amendments made by
16 this subsection shall apply to property placed in
17 service after December 31, 2014, in taxable
18 years ending after such date.

19 (B) ELECTION TO ACCELERATE AMT
20 CREDIT.—The amendments made by paragraph
21 (3) shall apply to taxable years ending after
22 December 31, 2014.

23 (b) EXTENDED AND MODIFIED FOR 2016 THROUGH
24 2019.—

1 (1) IN GENERAL.—Section 168(k)(2), as
2 amended by subsection (a), is amended to read as
3 follows:

4 “(2) QUALIFIED PROPERTY.—For purposes of
5 this subsection—

6 “(A) IN GENERAL.—The term ‘qualified
7 property’ means property—

8 “(i)(I) to which this section applies
9 which has a recovery period of 20 years or
10 less,

11 “(II) which is computer software (as
12 defined in section 167(f)(1)(B)) for which
13 a deduction is allowable under section
14 167(a) without regard to this subsection,

15 “(III) which is water utility property,
16 or

17 “(IV) which is qualified improvement
18 property,

19 “(ii) the original use of which com-
20 mences with the taxpayer, and

21 “(iii) which is placed in service by the
22 taxpayer before January 1, 2020.

23 “(B) CERTAIN PROPERTY HAVING LONGER
24 PRODUCTION PERIODS TREATED AS QUALIFIED
25 PROPERTY.—

1 “(i) IN GENERAL.—The term ‘quali-
2 fied property’ includes any property if such
3 property—

4 “(I) meets the requirements of
5 clauses (i) and (ii) of subparagraph
6 (A),

7 “(II) is placed in service by the
8 taxpayer before January 1, 2021,

9 “(III) is acquired by the taxpayer
10 (or acquired pursuant to a written
11 contract entered into) before January
12 1, 2020,

13 “(IV) has a recovery period of at
14 least 10 years or is transportation
15 property,

16 “(V) is subject to section 263A,
17 and

18 “(VI) meets the requirements of
19 clause (iii) of section 263A(f)(1)(B)
20 (determined as if such clause also ap-
21 plies to property which has a long
22 useful life (within the meaning of sec-
23 tion 263A(f))).

24 “(ii) ONLY PRE-JANUARY 1, 2020
25 BASIS ELIGIBLE FOR ADDITIONAL ALLOW-

1 ANCE.—In the case of property which is
2 qualified property solely by reason of
3 clause (i), paragraph (1) shall apply only
4 to the extent of the adjusted basis thereof
5 attributable to manufacture, construction,
6 or production before January 1, 2020.

7 “(iii) TRANSPORTATION PROPERTY.—
8 For purposes of this subparagraph, the
9 term ‘transportation property’ means tan-
10 gible personal property used in the trade
11 or business of transporting persons or
12 property.

13 “(iv) APPLICATION OF SUBPARA-
14 GRAPH.—This subparagraph shall not
15 apply to any property which is described in
16 subparagraph (C).

17 “(C) CERTAIN AIRCRAFT.—The term
18 ‘qualified property’ includes property—

19 “(i) which meets the requirements of
20 subparagraph (A)(ii) and subclauses (II)
21 and (III) of subparagraph (B)(i),

22 “(ii) which is an aircraft which is not
23 a transportation property (as defined in
24 subparagraph (B)(iii)) other than for agri-
25 cultural or firefighting purposes,

1 “(iii) which is purchased and on which
2 such purchaser, at the time of the contract
3 for purchase, has made a nonrefundable
4 deposit of the lesser of—

5 “(I) 10 percent of the cost, or

6 “(II) \$100,000, and

7 “(iv) which has—

8 “(I) an estimated production pe-
9 riod exceeding 4 months, and

10 “(II) a cost exceeding \$200,000.

11 “(D) EXCEPTION FOR ALTERNATIVE DE-
12 PRECIATION PROPERTY.—The term ‘qualified
13 property’ shall not include any property to
14 which the alternative depreciation system under
15 subsection (g) applies, determined—

16 “(i) without regard to paragraph (7)
17 of subsection (g) (relating to election to
18 have system apply), and

19 “(ii) after application of section
20 280F(b) (relating to listed property with
21 limited business use).

22 “(E) SPECIAL RULES.—

23 “(i) SELF-CONSTRUCTED PROP-
24 ERTY.—In the case of a taxpayer manufac-
25 turing, constructing, or producing property

1 for the taxpayer's own use, the require-
2 ments of subclause (III) of subparagraph
3 (B)(i) shall be treated as met if the tax-
4 payer begins manufacturing, constructing,
5 or producing the property before January
6 1, 2020.

7 “(ii) SALE-LEASEBACKS.—For pur-
8 poses of clause (iii) and subparagraph
9 (A)(ii), if property is—

10 “(I) originally placed in service
11 by a person, and

12 “(II) sold and leased back by
13 such person within 3 months after the
14 date such property was originally
15 placed in service,

16 such property shall be treated as originally
17 placed in service not earlier than the date
18 on which such property is used under the
19 leaseback referred to in subclause (II).

20 “(iii) SYNDICATION.—For purposes of
21 subparagraph (A)(ii), if—

22 “(I) property is originally placed
23 in service by the lessor of such prop-
24 erty,

1 “(II) such property is sold by
2 such lessor or any subsequent pur-
3 chaser within 3 months after the date
4 such property was originally placed in
5 service (or, in the case of multiple
6 units of property subject to the same
7 lease, within 3 months after the date
8 the final unit is placed in service, so
9 long as the period between the time
10 the first unit is placed in service and
11 the time the last unit is placed in
12 service does not exceed 12 months),
13 and

14 “(III) the user of such property
15 after the last sale during such 3-
16 month period remains the same as
17 when such property was originally
18 placed in service,

19 such property shall be treated as originally
20 placed in service not earlier than the date
21 of such last sale.

22 “(F) COORDINATION WITH SECTION
23 280F.—For purposes of section 280F—

24 “(i) AUTOMOBILES.—In the case of a
25 passenger automobile (as defined in section

1 280F(d)(5)) which is qualified property,
2 the Secretary shall increase the limitation
3 under section 280F(a)(1)(A)(i) by \$8,000.

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

8 “(iii) PHASE DOWN.—In the case of a
9 passenger automobile placed in service by
10 the taxpayer after December 31, 2017,
11 clause (i) shall be applied by substituting
12 for ‘\$8,000’—

13 “(I) in the case of an automobile
14 placed in service during 2018, \$6,400,
15 and

16 “(II) in the case of an automobile
17 placed in service during 2019, \$4,800.

18 “(G) DEDUCTION ALLOWED IN COMPUTING
19 MINIMUM TAX.—For purposes of determining
20 alternative minimum taxable income under sec-
21 tion 55, the deduction under section 167 for
22 qualified property shall be determined without
23 regard to any adjustment under section 56.”.

24 (2) QUALIFIED IMPROVEMENT PROPERTY.—

25 Section 168(k)(3) is amended to read as follows:

1 “(3) QUALIFIED IMPROVEMENT PROPERTY.—

2 For purposes of this subsection—

3 “(A) IN GENERAL.—The term ‘qualified
4 improvement property’ means any improvement
5 to an interior portion of a building which is
6 nonresidential real property if such improve-
7 ment is placed in service after the date such
8 building was first placed in service.

9 “(B) CERTAIN IMPROVEMENTS NOT IN-
10 CLUDED.—Such term shall not include any im-
11 provement for which the expenditure is attrib-
12 utable to—

13 “(i) the enlargement of the building,

14 “(ii) any elevator or escalator, or

15 “(iii) the internal structural frame-
16 work of the building.”.

17 (3) EXPANSION OF ELECTION TO ACCELERATE
18 AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

19 Section 168(k)(4), as amended by subsection (a), is
20 amended to read as follows:

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

23 “(A) IN GENERAL.—If a corporation elects
24 to have this paragraph apply for any taxable
25 year—

1 “(i) paragraphs (1) and (2)(F) shall
2 not apply to any qualified property placed
3 in service during such taxable year,

4 “(ii) the applicable depreciation meth-
5 od used under this section with respect to
6 such property shall be the straight line
7 method, and

8 “(iii) the limitation imposed by section
9 53(c) for such taxable year shall be in-
10 creased by the bonus depreciation amount
11 which is determined for such taxable year
12 under subparagraph (B).

13 “(B) BONUS DEPRECIATION AMOUNT.—
14 For purposes of this paragraph—

15 “(i) IN GENERAL.—The bonus depre-
16 ciation amount for any taxable year is an
17 amount equal to 20 percent of the excess
18 (if any) of—

19 “(I) the aggregate amount of de-
20 preciation which would be allowed
21 under this section for qualified prop-
22 erty placed in service by the taxpayer
23 during such taxable year if paragraph
24 (1) applied to all such property (and,
25 in the case of any such property which

1 is a passenger automobile (as defined
2 in section 280F(d)(5)), if paragraph
3 (2)(F) applied to such automobile),
4 over

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

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

17 “(ii) LIMITATION.—The bonus depre-
18 ciation amount for any taxable year shall
19 not exceed the lesser of—

20 “(I) 50 percent of the minimum
21 tax credit under section 53(b) for the
22 first taxable year ending after Decem-
23 ber 31, 2015, or

24 “(II) the minimum tax credit
25 under section 53(b) for such taxable

1 year determined by taking into ac-
2 count only the adjusted net minimum
3 tax for taxable years ending before
4 January 1, 2016 (determined by
5 treating credits as allowed on a first-
6 in, first-out basis).

7 “(iii) AGGREGATION RULE.—All cor-
8 porations which are treated as a single em-
9 ployer under section 52(a) shall be treat-
10 ed—

11 “(I) as 1 taxpayer for purposes
12 of this paragraph, and

13 “(II) as having elected the appli-
14 cation of this paragraph if any such
15 corporation so elects.

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

23 “(D) OTHER RULES.—

1 “(i) ELECTION.—Any election under
2 this paragraph may be revoked only with
3 the consent of the Secretary.

4 “(ii) PARTNERSHIPS WITH ELECTING
5 PARTNERS.—In the case of a corporation
6 which is a partner in a partnership and
7 which makes an election under subpara-
8 graph (A) for the taxable year, for pur-
9 poses of determining such corporation’s
10 distributive share of partnership items
11 under section 702 for such taxable year—

12 “(I) paragraphs (1) and (2)(F)
13 shall not apply to any qualified prop-
14 erty placed in service during such tax-
15 able year, and

16 “(II) the applicable depreciation
17 method used under this section with
18 respect to such property shall be the
19 straight line method.

20 “(iii) CERTAIN PARTNERSHIPS.—In
21 the case of a partnership in which more
22 than 50 percent of the capital and profits
23 interests are owned (directly or indirectly)
24 at all times during the taxable year by 1
25 corporation (or by corporations treated as

1 1 taxpayer under subparagraph (B)(iii),
2 each partner shall compute its bonus de-
3 preciation amount under clause (i) of sub-
4 paragraph (B) by taking into account its
5 distributive share of the amounts deter-
6 mined by the partnership under subclauses
7 (I) and (II) of such clause for the taxable
8 year of the partnership ending with or
9 within the taxable year of the partner.”.

10 (4) SPECIAL RULES FOR CERTAIN PLANTS
11 BEARING FRUITS AND NUTS.—Section 168(k) is
12 amended—

13 (A) by striking paragraph (5), and

14 (B) by inserting after paragraph (4) the
15 following new paragraph:

16 “(5) SPECIAL RULES FOR CERTAIN PLANTS
17 BEARING FRUITS AND NUTS.—

18 “(A) IN GENERAL.—In the case of any
19 specified plant which is planted before January
20 1, 2020, or is grafted before such date to a
21 plant that has already been planted, by the tax-
22 payer in the ordinary course of the taxpayer’s
23 farming business (as defined in section
24 263A(e)(4)) during a taxable year for which the

1 taxpayer has elected the application of this
2 paragraph—

3 “(i) a depreciation deduction equal to
4 50 percent of the adjusted basis of such
5 specified plant shall be allowed under sec-
6 tion 167(a) for the taxable year in which
7 such specified plant is so planted or graft-
8 ed, and

9 “(ii) the adjusted basis of such speci-
10 fied plant shall be reduced by the amount
11 of such deduction.

12 “(B) SPECIFIED PLANT.—For purposes of
13 this paragraph, the term ‘specified plant’
14 means—

15 “(i) any tree or vine which bears
16 fruits or nuts, and

17 “(ii) any other plant which will have
18 more than one yield of fruits or nuts and
19 which generally has a pre-productive period
20 of more than 2 years from the time of
21 planting or grafting to the time at which
22 such plant begins bearing fruits or nuts.

23 Such term shall not include any property which
24 is planted or grafted outside of the United
25 States.

1 “(C) ELECTION REVOCABLE ONLY WITH
2 CONSENT.—An election under this paragraph
3 may be revoked only with the consent of the
4 Secretary.

5 “(D) ADDITIONAL DEPRECIATION MAY BE
6 CLAIMED ONLY ONCE.—If this paragraph ap-
7 plies to any specified plant, such specified plant
8 shall not be treated as qualified property in the
9 taxable year in which placed in service.

10 “(E) DEDUCTION ALLOWED IN COMPUTING
11 MINIMUM TAX.—Rules similar to the rules of
12 paragraph (2)(G) shall apply for purposes of
13 this paragraph.

14 “(F) PHASE DOWN.—In the case of a spec-
15 ified plant which is planted after December 31,
16 2017 (or is grafted to a plant that has already
17 been planted before such date), subparagraph
18 (A)(i) shall be applied by substituting for ‘50
19 percent’—

20 “(i) in the case of a plant which is
21 planted (or so grafted) in 2018, ‘40 per-
22 cent’, and

23 “(ii) in the case of a plant which is
24 planted (or so grafted) during 2019, ‘30
25 percent’.”.

1 (5) PHASE DOWN OF BONUS DEPRECIATION.—
2 Section 168(k) is amended by adding at the end the
3 following new paragraph:

4 “(6) PHASE DOWN.—In the case of qualified
5 property placed in service by the taxpayer after De-
6 cember 31, 2017, paragraph (1)(A) shall be applied
7 by substituting for ‘50 percent’—

8 “(A) in the case of property placed in serv-
9 ice in 2018 (or in the case of property placed
10 in service in 2019 and described in paragraph
11 (2)(B) or (C) (determined by substituting
12 ‘2019’ for ‘2020’ in paragraphs (2)(B)(i)(III)
13 and (ii) and paragraph (2)(E)(i)), ‘40 percent’,

14 “(B) in the case of property placed in serv-
15 ice in 2019 (or in the case of property placed
16 in service in 2020 and described in paragraph
17 (2)(B) or (C), ‘30 percent.’”.

18 (6) CONFORMING AMENDMENTS.—

19 (A) Section 168(e)(6) is amended—

20 (i) by redesignating subparagraphs
21 (A) and (B) as subparagraphs (D) and
22 (E), respectively,

23 (ii) by striking all that precedes sub-
24 paragraph (D) (as so redesignated) and in-
25 serting the following:

1 “(6) QUALIFIED LEASEHOLD IMPROVEMENT
2 PROPERTY.—For purposes of this subsection—

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

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

10 “(I) by the lessee (or any subles-
11 see) of such portion, or

12 “(II) by the lessor of such por-
13 tion,

14 “(ii) such portion is to be occupied ex-
15 clusively by the lessee (or any sublessee) of
16 such portion, and

17 “(iii) such improvement is placed in
18 service more than 3 years after the date
19 the building was first placed in service.

20 “(B) CERTAIN IMPROVEMENTS NOT IN-
21 CLUDED.—Such term shall not include any im-
22 provement for which the expenditure is attrib-
23 utable to—

24 “(i) the enlargement of the building,

25 “(ii) any elevator or escalator,

1 “(iii) any structural component bene-
2 fitting a common area, or

3 “(iv) the internal structural frame-
4 work of the building.

5 “(C) DEFINITIONS AND SPECIAL RULES.—

6 For purposes of this paragraph—

7 “(i) COMMITMENT TO LEASE TREAT-
8 ED AS LEASE.—A commitment to enter
9 into a lease shall be treated as a lease, and
10 the parties to such commitment shall be
11 treated as lessor and lessee, respectively.

12 “(ii) RELATED PERSONS.—A lease be-
13 tween related persons shall not be consid-
14 ered a lease. For purposes of the preceding
15 sentence, the term ‘related persons’
16 means—

17 “(I) members of an affiliated
18 group (as defined in section 1504),
19 and

20 “(II) persons having a relation-
21 ship described in subsection (b) of
22 section 267; except that, for purposes
23 of this clause, the phrase ‘80 percent
24 or more’ shall be substituted for the
25 phrase ‘more than 50 percent’ each

1 place it appears in such subsection.”,

2 and

3 (iii) by striking “subparagraph (A)”

4 in subparagraph (E) (as so redesignated)

5 and inserting “subparagraph (D)”.

6 (B) Section 168(e)(7)(B) is amended by

7 striking “qualified leasehold improvement prop-

8 erty” and inserting “qualified improvement

9 property”.

10 (C) Section 168(e)(8) is amended by strik-

11 ing subparagraph (D).

12 (D) Section 168(k), as amended by the

13 preceding provisions of this section, is amended

14 by adding at the end the following new para-

15 graph:

16 “(7) ELECTION OUT.—If a taxpayer makes an

17 election under this paragraph with respect to any

18 class of property for any taxable year, paragraphs

19 (1) and (2)(F) shall not apply to any qualified prop-

20 erty in such class placed in service during such tax-

21 able year. An election under this paragraph may be

22 revoked only with the consent of the Secretary.”.

23 (E) Section 168(l)(3) is amended—

1 (i) by striking “section 168(k)” in
2 subparagraph (A) and inserting “sub-
3 section (k)”, and

4 (ii) by striking “section
5 168(k)(2)(D)(i)” in subparagraph (B) and
6 inserting “subsection (k)(2)(D)”.

7 (F) Section 168(l)(4) is amended by strik-
8 ing “subparagraph (E) of section 168(k)(2)”
9 and all that follows and inserting “subsection
10 (k)(2)(E) shall apply.”.

11 (G) Section 168(l)(5) is amended by strik-
12 ing “section 168(k)(2)(G)” and inserting “sub-
13 section (k)(2)(G)”.

14 (H) Section 263A(c) is amended by adding
15 at the end the following new paragraph:

16 “(7) COORDINATION WITH SECTION
17 168(k)(5).—This section shall not apply to any
18 amount allowed as a deduction by reason of section
19 168(k)(5) (relating to special rules for certain plants
20 bearing fruits and nuts).”.

21 (I) Section 460(c)(6)(B)(ii), as amended
22 by subsection (a), is amended to read as fol-
23 lows:

24 “(ii) is placed in service before Janu-
25 ary 1, 2020 (January 1, 2021 in the case

1 of property described in section
2 168(k)(2)(B)).”.

3 (J) Section 168(k), as amended by sub-
4 section (a), is amended by striking “AND BE-
5 FORE JANUARY 1, 2016” in the heading thereof
6 and inserting “AND BEFORE JANUARY 1,
7 2020”.

8 (7) EFFECTIVE DATES.—

9 (A) IN GENERAL.—Except as otherwise
10 provided in this paragraph, the amendments
11 made by this subsection shall apply to property
12 placed in service after December 31, 2015, in
13 taxable years ending after such date.

14 (B) EXPANSION OF ELECTION TO ACCEL-
15 ERATE AMT CREDITS IN LIEU OF BONUS DE-
16 PRECIATION.—The amendments made by para-
17 graph (3) shall apply to taxable years ending
18 after December 31, 2015, except that in the
19 case of any taxable year beginning before Janu-
20 ary 1, 2016, and ending after December 31,
21 2015, the limitation under section
22 168(k)(4)(B)(ii) of the Internal Revenue Code
23 of 1986 (as amended by this section) shall be
24 the sum of—

25 (i) the product of—

1 (I) the maximum increase
2 amount (within the meaning of sec-
3 tion 168(k)(4)(C)(iii) of such Code, as
4 in effect before the amendments made
5 by this subsection), multiplied by

6 (II) a fraction the numerator of
7 which is the number of days in the
8 taxable year before January 1, 2016,
9 and the denominator of which is the
10 number of days in the taxable year,
11 plus

12 (ii) the product of—

13 (I) such limitation (determined
14 without regard to this subparagraph),
15 multiplied by

16 (II) a fraction the numerator of
17 which is the number of days in the
18 taxable year after December 31, 2015,
19 and the denominator of which is the
20 number of days in the taxable year.

21 (C) SPECIAL RULES FOR CERTAIN PLANTS
22 BEARING FRUITS AND NUTS.—The amendments
23 made by paragraph (4) (other than subpara-
24 graph (A) thereof) shall apply to specified
25 plants (as defined in section 168(k)(5)(B) of

1 the Internal Revenue Code of 1986, as amended
2 by this subsection) planted or grafted after De-
3 cember 31, 2015.

4 **SEC. 144. EXTENSION OF LOOK-THRU TREATMENT OF PAY-**
5 **MENTS BETWEEN RELATED CONTROLLED**
6 **FOREIGN CORPORATIONS UNDER FOREIGN**
7 **PERSONAL HOLDING COMPANY RULES.**

8 (a) **IN GENERAL.**—Section 954(c)(6)(C) is amended
9 by striking “January 1, 2015” and inserting “January 1,
10 2020”.

11 (b) **EFFECTIVE DATE.**—The amendment made by
12 this section shall apply to taxable years of foreign corpora-
13 tions beginning after December 31, 2014, and to taxable
14 years of United States shareholders with or within which
15 such taxable years of foreign corporations end.