

103D CONGRESS  
1ST SESSION

# S. 746

To amend the Internal Revenue Code of 1986 to provide an investment tax credit for stage 3 aircraft.

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IN THE SENATE OF THE UNITED STATES

APRIL 2 (legislative day, MARCH 3), 1993

Mr. D'AMATO introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide an investment tax credit for stage 3 aircraft.

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. INVESTMENT CREDIT FOR STAGE 3 AIRCRAFT**

4                   **MODIFICATIONS.**

5       (a) ALLOWANCE OF CREDIT.—Section 46 of the In-  
6 ternal Revenue Code of 1986 (relating to amount of in-  
7 vestment credit) is amended by striking “and” at the end  
8 of paragraph (2), by striking the period at the end of para-  
9 graph (3) and inserting “, and”, and by adding at the  
10 end the following new paragraph:

1           “(4) the stage 3 aircraft modification credit.”

2       (b) AMOUNT OF CREDIT.—Section 48 of such Code  
3 is amended by adding at the end the following new sub-  
4 section:

5       “(c) STAGE 3 AIRCRAFT MODIFICATION CREDIT.—

6           “(1) IN GENERAL.—For purposes of section 46,  
7 the stage 3 aircraft modification credit is the stage  
8 3 aircraft modification percentage of the basis of  
9 each stage 3 aircraft modification property placed in  
10 service during the taxable year.

11          “(2) STAGE 3 AIRCRAFT MODIFICATION PER-  
12 CENTAGE.—The stage 3 aircraft modification per-  
13 centage is 10 percent.

14          “(3) QUALIFIED STAGE 3 AIRCRAFT MODIFICA-  
15 TION PROPERTY.—For purposes of this subpart—

16           “(A) IN GENERAL.—The term ‘qualified  
17 stage 3 aircraft modification property’ means  
18 tangible property—

19               “(i) which is an integral part of and  
20 modification of a nonstage 3 aircraft (in-  
21 cluding the installation of different engines  
22 or the retrofit of the existing engines with  
23 sound attenuation devices),

24               “(ii) which is certificated by the Fed-  
25 eral Aviation Administration and is made

1 to qualify the aircraft for the stage 3 noise  
2 level requirements, and

3 “(iii) the original use of which begins  
4 with the taxpayer.

5 “(B) STAGE 3 NOISE LEVEL.—The term  
6 ‘stage 3 noise level’ has the meaning given such  
7 term by section 36.1(f)(5) of title 14, Code of  
8 Federal Regulations (as in effect on February  
9 15, 1993).

10 “(C) NONSTAGE 3 AIRCRAFT.—The term  
11 ‘nonstage 3 aircraft’ means an aircraft with a  
12 maximum gross takeoff weight in excess of  
13 75,000 pounds which did not meet the stage 3  
14 noise level requirements before the stage 3 air-  
15 craft modification property was installed.

16 “(4) SPECIAL RULE FOR CERTAIN PURCHASES  
17 AND LEASES.—For purposes of paragraph  
18 (3)(A)(iii), a qualified stage 3 aircraft modification  
19 property shall be treated as originally placed in serv-  
20 ice by a person if it is sold to such person or is  
21 leased by such person within 3 months of the date  
22 such modifications are made.”

23 (c) STAGE 3 AIRCRAFT MODIFICATION CREDIT  
24 ALLOWABLE AGAINST REGULAR TAX AND ALTERNATIVE  
25 MINIMUM TAX.—Subsection (c) of section 38 of such Code

1 (relating to limitation based on amount of tax) is amended  
2 by adding at the end the following new paragraph:

3                 “(3) SPECIAL RULES FOR STAGE 3 AIRCRAFT  
4                             MODIFICATION CREDIT.—

5                 “(A) LIABILITY FOR TAX.—In the case of  
6                             the stage 3 aircraft modification credit, the  
7                             credit allowable under subsection (a) for any  
8                             taxable year shall not exceed the excess (if any)  
9                             of—

10                 “(i) the sum of—

11                         “(I) the taxpayer’s tentative min-  
12                             imum tax liability under section 55(b)  
13                             for such taxable year determined with-  
14                             out regard to the stage 3 aircraft  
15                             modification credit, plus

16                         “(II) the taxpayer’s regular tax  
17                             liability for such taxable year (as de-  
18                             fined in section 26(b)), over

19                 “(ii) the sum of the credits allowable  
20                             against the taxpayer’s regular tax liability  
21                             under part IV (other than section 34 and  
22                             the stage 3 aircraft modification credit).

23                 “(B) APPLICATION OF THE CREDIT.—

24                 Each of the following amounts shall be reduced

1           by the full amount of the credit determined  
2           under subparagraph (A):

3               “(i) the taxpayer’s tentative minimum  
4               tax under section 55(b) for the taxable  
5               year, and

6               “(ii) the taxpayer’s regular tax liability  
7               (as defined in section 26(b)) reduced by  
8               the sum of the credits allowable under part  
9               IV (other than section 34 and the stage 3  
10              aircraft modification credit).

11          If the amount of the credit determined under sub-  
12          paragraph (A) exceeds the amount described in  
13          clause (ii) of subparagraph (B), then the excess shall  
14          be deemed to be the adjusted net minimum tax for  
15          such taxable year for purposes of section 53.”

16          (d) TECHNICAL AND CONFORMING AMENDMENTS.—

17               (1) Paragraph (1) of section 38(c) of such Code  
18               is amended by striking “The credit” and inserting  
19               “Except as provided in paragraph (3), the credit”.

20               (2) Paragraph (2) of section 55(c) of such Code  
21               is amended—

22                       (A) by striking “For provisions” and in-  
23                       serting “(A) For provisions”, and

24                       (B) by adding at the end the following new  
25                       subparagraph:

1                   “(B) For provision allowing the stage 3  
2                   aircraft modification credit against the tax im-  
3                   posed by this section, see section 38(c)(3).”

4                   (3) Section 49(a)(1)(C) of such Code is amend-  
5                   ed by striking “and” at the end of clause (ii), by  
6                   striking the period at the end of clause (iii) and in-  
7                   serting “, and”, and by adding at the end the follow-  
8                   ing new clause:

9                   “(iv) the basis of any qualified stage  
10                   3 aircraft modification property.”

11                  (4)(A) The section heading for section 48 of  
12                  such Code is amended to read as follows:

13                  **“SEC. 48. OTHER CREDITS.”**

14                  (B) The table of sections for subpart E of part  
15                  IV of subchapter A of chapter 1 of such Code is  
16                  amended by striking the item relating to section 48  
17                  and inserting the following:

“Sec. 48. Other credits.”

18                  (e) EFFECTIVE DATE.—The amendments made by  
19                  this section apply to stage 3 aircraft modification property  
20                  completed after December 31, 1991, and placed in service  
21                  after December 31, 1991, and before January 1, 1997.

