

105TH CONGRESS  
2D SESSION

# S. 2629

To amend the Internal Revenue Code of 1986 to provide an investment credit to promote the availability of jet aircraft to underserved communities, to reduce the passenger tax rate on rural domestic flight segments, and for other purposes.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 14 (legislative day, OCTOBER 2), 1998

Mr. DORGAN 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 credit to promote the availability of jet aircraft to underserved communities, to reduce the passenger tax rate on rural domestic flight segments, and for other purposes.

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. TAX CREDIT FOR REGIONAL JET AIRCRAFT**

#### 4 **SERVING UNDERSERVED COMMUNITIES.**

5 (a) ALLOWANCE OF CREDIT.—

6 (1) IN GENERAL.—Section 46 of the Internal  
7 Revenue Code of 1986 (relating to amount of credit)

1 is amended by striking “and” at the end of para-  
 2 graph (2), by striking the period at the end of para-  
 3 graph (3) and inserting “, and”, and by inserting  
 4 after paragraph (3) the following new paragraph:

5 “(4) in the case of an eligible small air carrier,  
 6 the underserved community jet access credit.”

7 (2) UNDERSERVED COMMUNITY JET ACCESS  
 8 CREDIT.—Section 48 of such Code (relating to the  
 9 energy credit and the reforestation credit) is amend-  
 10 ed by adding after subsection (b) the following new  
 11 subsection:

12 “(c) UNDERSERVED COMMUNITY JET ACCESS CRED-  
 13 IT.—

14 “(1) IN GENERAL.—For purposes of section 46,  
 15 the underserved community jet access credit of an  
 16 eligible small air carrier for any taxable year is an  
 17 amount equal to 10 percent of the qualified invest-  
 18 ment in any qualified regional jet aircraft.

19 “(2) ELIGIBLE SMALL AIR CARRIER.—For pur-  
 20 poses of this subsection and section 46—

21 “(A) IN GENERAL.—The term ‘eligible  
 22 small air carrier’ means, with respect to any  
 23 qualified regional jet aircraft, an air carrier—

24 “(i) to which part 121 of title 14,  
 25 Code of Federal Regulations, applies, and

1                   “(ii)     which     has     less     than  
2                   10,000,000,000 (10 billion) revenue pas-  
3                   senger miles for the calendar year preced-  
4                   ing the calendar year in which such air-  
5                   craft is originally placed in service.

6                   “(B) AIR CARRIER.—The term ‘air carrier’  
7                   means any air carrier holding a certificate of  
8                   public convenience and necessity issued by the  
9                   Secretary of Transportation under section  
10                  41102 of title 49, United States Code.

11                  “(C) START-UP CARRIERS.—If an air car-  
12                  rier has not been in operation during the entire  
13                  calendar year described in subparagraph (A)(ii),  
14                  the determination under such subparagraph  
15                  shall be made on the basis of a reasonable esti-  
16                  mate of revenue passenger miles for its first full  
17                  calendar year of operation.

18                  “(D) AGGREGATION.—All air carriers  
19                  which are treated as 1 employer under section  
20                  52 shall be treated as 1 person for purposes of  
21                  subparagraph (A)(ii).

22                  “(3) QUALIFIED REGIONAL JET AIRCRAFT.—  
23                  For purposes of this subsection, the term ‘qualified  
24                  regional jet aircraft’ means a civil aircraft—

1           “(A) which is originally placed in service  
2           by the taxpayer,

3           “(B) which is powered by jet propulsion  
4           and is designed to have a maximum passenger  
5           seating capacity of not less than 30 passengers  
6           and not more than 100 passengers, and

7           “(C) at least 50 percent of the flight seg-  
8           ments of which during any 12-month period be-  
9           ginning on or after the date the aircraft is  
10          originally placed in service are between a hub  
11          airport (as defined in section 41731(a)(3) of  
12          title 49, United States Code, and an under-  
13          served airport.

14          “(4) UNDERSERVED AIRPORT.—The term ‘un-  
15          derserved airport’ means, with respect to any quali-  
16          fied regional jet aircraft, an airport which for the  
17          calendar year preceding the calendar year in which  
18          such aircraft is originally placed in service had less  
19          than 600,000 enplanements.

20          “(5) QUALIFIED INVESTMENT.—For purposes  
21          of paragraph (1), the term ‘qualified investment’  
22          means, with respect to any taxable year, the basis of  
23          any qualified regional jet aircraft placed in service  
24          by the taxpayer during such taxable year.

25          “(6) QUALIFIED PROGRESS EXPENDITURES.—

1           “(A) INCREASE IN QUALIFIED INVEST-  
2           MENT.—In the case of a taxpayer who has  
3           made an election under subparagraph (E), the  
4           amount of the qualified investment of such tax-  
5           payer for the taxable year (determined under  
6           paragraph (5) without regard to this sub-  
7           section) shall be increased by an amount equal  
8           to the aggregate of each qualified progress ex-  
9           penditure for the taxable year with respect to  
10          progress expenditure property.

11          “(B) PROGRESS EXPENDITURE PROPERTY  
12          DEFINED.—For purposes of this paragraph, the  
13          term ‘progress expenditure property’ means any  
14          property which is being constructed for the tax-  
15          payer and which it is reasonable to believe will  
16          qualify as a qualified regional jet aircraft of the  
17          taxpayer when it is placed in service.

18          “(C) QUALIFIED PROGRESS EXPENDI-  
19          TURES DEFINED.—For purposes of this para-  
20          graph, the term ‘qualified progress expendi-  
21          tures’ means the amount paid during the tax-  
22          able year to another person for the construction  
23          of such property.

24          “(D) ONLY CONSTRUCTION OF AIRCRAFT  
25          TO BE TAKEN INTO ACCOUNT.—Construction

1 shall be taken into account only if, for purposes  
 2 of this subpart, expenditures therefor are prop-  
 3 erly chargeable to capital account with respect  
 4 to the qualified regional jet aircraft.

5 “(E) ELECTION.—An election under this  
 6 paragraph may be made at such time and in  
 7 such manner as the Secretary may by regula-  
 8 tions prescribe. Such an election shall apply to  
 9 the taxable year for which made and to all sub-  
 10 sequent taxable years. Such an election, once  
 11 made, may not be revoked except with the con-  
 12 sent of the Secretary.

13 “(7) COORDINATION WITH OTHER CREDITS.—  
 14 This subsection shall not apply to any property with  
 15 respect to which the energy credit or the rehabilita-  
 16 tion credit is allowed unless the taxpayer elects to  
 17 waive the application of such credits to such prop-  
 18 erty.

19 “(8) SPECIAL LEASE RULES.—For purposes of  
 20 section 50(d)(5), section 48(d) (as in effect on the  
 21 day before the date of the enactment of the Revenue  
 22 Reconciliation Act of 1990) shall be applied for pur-  
 23 poses of this section without regard to paragraph  
 24 (4)(B) thereof (relating to short-term leases of prop-  
 25 erty with class life of under 14 years).

1           “(9) APPLICATION.—This subsection shall  
 2       apply to periods after the date of the enactment of  
 3       this subsection and before January 1, 2009, under  
 4       rules similar to the rules of section 48(m) (as in ef-  
 5       fect on the day before the date of the enactment of  
 6       the Revenue Reconciliation Act of 1990).”

7           (3) RECAPTURE.—Section 50(a) of such Code  
 8       (relating to recapture in the case of dispositions,  
 9       etc.) is amended by adding at the end the following  
 10      new paragraph:

11           “(6) SPECIAL RULES FOR AIRCRAFT CREDIT.—

12           “(A) IN GENERAL.—For purposes of deter-  
 13       mining whether a qualified regional jet aircraft  
 14       ceases to be investment credit property, an air-  
 15       port which was an underserved airport as of the  
 16       date such aircraft was originally placed in serv-  
 17       ice shall continue to be treated as an under-  
 18       served airport during any period this subsection  
 19       applies to the aircraft.

20           “(B) PROPERTY CEASES TO QUALIFY FOR  
 21       PROGRESS EXPENDITURES.—Rules similar to  
 22       the rules of paragraph (2) shall apply in the  
 23       case of qualified progress expenditures for a  
 24       qualified regional jet aircraft under section  
 25       48(c).”

1 (4) TECHNICAL AMENDMENTS.—

2 (A) Subparagraph (C) of section 49(a)(1)  
 3 of such Code is amended by striking “and” at  
 4 the end of clause (ii), by striking the period at  
 5 the end of clause (iii) and inserting “, and”,  
 6 and by adding at the end the following new  
 7 clause:

8 “(iv) the portion of the basis of any  
 9 qualified regional jet aircraft attributable  
 10 to any qualified investment (as defined by  
 11 section 48(c)(5)).”

12 (B) Paragraph (4) of section 50(a) of such  
 13 Code is amended by striking “and (2)” and in-  
 14 serting “, (2), and (6)”.

15 (C)(i) The section heading for section 48  
 16 of such Code is amended to read as follows:

17 **“SEC. 48. OTHER CREDITS.”**

18 (ii) The table of sections for subpart E of  
 19 part IV of subchapter A of chapter 1 of such  
 20 Code is amended by striking the item relating  
 21 to section 48 and inserting the following new  
 22 item:

“Sec. 48. Other credits.”

23 (5) EFFECTIVE DATE.—The amendments made  
 24 by this subsection shall apply to periods after the  
 25 date of the enactment of this Act, under rules simi-



1       lar to the rules of section 48(m) of the Internal Rev-  
 2       enue Code of 1986 (as in effect on the day before  
 3       the date of the enactment of the Revenue Reconcili-  
 4       ation Act of 1990.

5       (b) REDUCED PASSENGER TAX RATE ON RURAL DO-  
 6       MESTIC FLIGHT SEGMENTS.—Section 4261(e)(1)(C) of  
 7       such Code (relating to segments to and from rural air-  
 8       ports) is amended to read as follows:

9               “(C)   REDUCTION   IN   GENERAL   TAX  
 10             RATE.—

11               “(i) IN GENERAL.—The tax imposed  
 12             by subsection (a) shall apply to any domes-  
 13             tic segment beginning or ending at an air-  
 14             port which is a rural airport for the cal-  
 15             endar year in which such segment begins  
 16             or ends (as the case may be) at the rate  
 17             determined by the Secretary under clause  
 18             (ii) for such year in lieu of the rate other-  
 19             wise applicable under subsection (a).

20               “(ii) DETERMINATION OF RATE.—The  
 21             rate determined by the Secretary under  
 22             this clause for each calendar year shall  
 23             equal the rate of tax otherwise applicable  
 24             under subsection (a) reduced by an  
 25             amount which reflects the net amount of

the increase in revenues to the Treasury for such year resulting from the amendments made by subsections (a) and (c) of section \_\_\_\_ of the Wendell H. Ford National Air Transportation System Improvement Act of 1998.

“(iii) TRANSPORTATION INVOLVING MULTIPLE SEGMENTS.—In the case of transportation involving more than 1 domestic segment at least 1 of which does not begin or end at a rural airport, the rate applicable by reason of clause (i) shall be applied by taking into account only an amount which bears the same ratio to the amount paid for such transportation as the number of specified miles in domestic segments which begin or end at a rural airport bears to the total number of specified miles in such transportation.”.

(c) TREATMENT OF CERTAIN DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF REGULATED INVESTMENT COMPANIES AND REAL ESTATE INVESTMENT TRUSTS.—

(1) IN GENERAL.—Section 332 of the Internal Revenue Code of 1986 (relating to complete liquida-

1        tions of subsidiaries) is amended by adding at the  
 2        end the following new subsection:

3        “(c) DEDUCTIBLE LIQUIDATING DISTRIBUTIONS OF  
 4        REGULATED INVESTMENT COMPANIES AND REAL ES-  
 5        TATE INVESTMENT TRUSTS.—If a corporation receives a  
 6        distribution from a regulated investment company or a  
 7        real estate investment trust which is considered under sub-  
 8        section (b) as being in complete liquidation of such com-  
 9        pany or trust, then, notwithstanding any other provision  
 10       of this chapter, such corporation shall recognize and treat  
 11       as a dividend from such company or trust an amount  
 12       equal to the deduction for dividends paid allowable to such  
 13       company or trust by reason of such distribution.”.

14        (2) CONFORMING AMENDMENTS.—

15                (A) The material preceding paragraph (1)  
 16        of section 332(b) of such Code is amended by  
 17        striking “subsection (a)” and inserting “this  
 18        section”.

19                (B) Paragraph (1) of section 334(b) of  
 20        such Code is amended by striking “section  
 21        332(a)” and inserting “section 332”.

22        (3) EFFECTIVE DATE.—The amendments made  
 23        by this subsection shall apply to distributions after  
 24        May 21, 1998.

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