

106TH CONGRESS  
2D SESSION

# S. 2897

To amend the Internal Revenue Code of 1986 to allow the use of completed contract method of accounting in the case of certain long-term naval vessel construction contracts.

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## IN THE SENATE OF THE UNITED STATES

JULY 20, 2000

Mr. ROBB (for himself Mr. BREAUX, Ms. LANDRIEU, Ms. SNOWE, and Mr. WARNER) 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 allow the use of completed contract method of accounting in the case of certain long-term naval vessel construction contracts.

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. MODIFICATION OF ACCOUNTING RULES FOR**  
4 **CERTAIN NAVAL LONG-TERM CONSTRUCTION**  
5 **CONTRACTS.**

6 (a) IN GENERAL.—Section 460(e)(1) of the Internal  
7 Revenue Code of 1986 (relating to exception for certain  
8 construction contracts) is amended by striking “or” at the

1 end of subparagraph (A), by striking the period at the  
 2 end of subparagraph (B) and inserting “, or”, and by in-  
 3 serting after subparagraph (B) the following new subpara-  
 4 graph:

5                   “(C) a qualified naval construction con-  
 6                   tract for which an election is made under para-  
 7                   graph (7).”.

8           (b) QUALIFIED NAVAL CONSTRUCTION CONTRACT.—  
 9 Section 460(e) of the Internal Revenue Code of 1986 is  
 10 amended by adding at the end the following new para-  
 11 graph:

12                   “(7) QUALIFIED NAVAL CONSTRUCTION CON-  
 13                   TRACT.—

14                   “(A) IN GENERAL.—A taxpayer may elect  
 15                   to use the completed contract method of ac-  
 16                   counting with respect to any qualified naval  
 17                   construction contract.

18                   “(B) DEFINITION.—For purposes of para-  
 19                   graph (1), the term ‘qualified naval construc-  
 20                   tion contract’ means a contract—

21                   “(i) entered into by the taxpayer with  
 22                   the Federal Government for the building,  
 23                   construction, reconstruction, or rehabilita-  
 24                   tion of a naval vessel, and

1 “(ii) which the taxpayer estimates (at  
2 the time such contract is entered into) will  
3 be completed more than 24 months after  
4 the contract commencement date of such  
5 contract.

6 “(C) EFFECT OF ELECTION.—An election  
7 under this paragraph shall apply to all con-  
8 tracts of the taxpayer which are entered into  
9 during the taxable year in which the election is  
10 made or any subsequent taxable year.

11 “(D) SEPARATE CONTRACT.—For pur-  
12 poses of applying this paragraph, in the case of  
13 a qualified naval construction contract which  
14 covers more than 1 vessel, each vessel covered  
15 by the contract shall be treated as covered by  
16 a separate contract.

17 “(E) EARNINGS AND PROFITS.—Section  
18 312(n)(6) shall not apply to a taxpayer which  
19 has made an election under this paragraph with  
20 respect to a qualified naval construction con-  
21 tract.”.

22 (c) EFFECTIVE DATE.—The amendments made by  
23 this section shall apply with respect to contracts entered  
24 into on or after January 1, 2000.

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