

109TH CONGRESS
1ST SESSION

S. 280

To amend the Internal Revenue Code of 1986 to provide for the amortization of delay rental payments and geological and geophysical expenditures.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 3, 2005

Mrs. HUTCHISON introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide for the amortization of delay rental payments and geological and geophysical expenditures.

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. AMORTIZATION OF DELAY RENTAL PAYMENTS.**

4 (a) IN GENERAL.—Section 167 of the Internal Rev-
5 enue Code of 1986 (relating to depreciation) is amended
6 by redesignating subsection (h) as subsection (i) and by
7 inserting after subsection (g) the following new subsection:

8 “(h) AMORTIZATION OF DELAY RENTAL PAYMENTS
9 FOR DOMESTIC OIL AND GAS WELLS.—

1 “(1) IN GENERAL.—Any delay rental payment
2 paid or incurred in connection with the development
3 of oil or gas wells within the United States (as de-
4 fined in section 638) shall be allowed as a deduction
5 ratably over the 24-month period beginning on the
6 date that such payment was paid or incurred.

7 “(2) HALF-YEAR CONVENTION.—For purposes
8 of paragraph (1), any payment paid or incurred dur-
9 ing the taxable year shall be treated as paid or in-
10 curred on the mid-point of such taxable year.

11 “(3) EXCLUSIVE METHOD.—Except as provided
12 in this subsection, no depreciation or amortization
13 deduction shall be allowed with respect to such pay-
14 ments.

15 “(4) TREATMENT UPON ABANDONMENT.—If
16 any property to which a delay rental payment relates
17 is retired or abandoned during the 24-month period
18 described in paragraph (1), no deduction shall be al-
19 lowed on account of such retirement or abandon-
20 ment and the amortization deduction under this sub-
21 section shall continue with respect to such payment.

22 “(5) DELAY RENTAL PAYMENTS.—For purposes
23 of this subsection, the term ‘delay rental payment’
24 means an amount paid for the privilege of deferring

1 development of an oil or gas well under an oil or gas
2 lease.”.

3 (b) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to amounts paid or incurred in tax-
5 able years beginning after the date of the enactment of
6 this Act.

7 **SEC. 2. AMORTIZATION OF GEOLOGICAL AND GEO-**
8 **PHYSICAL EXPENDITURES.**

9 (a) IN GENERAL.—Section 167 of the Internal Rev-
10 enue Code of 1986 (relating to depreciation), as amended
11 by this Act, is amended by redesignating subsection (i)
12 as subsection (j) and by inserting after subsection (h) the
13 following new subsection:

14 “(i) AMORTIZATION OF GEOLOGICAL AND GEO-
15 PHYSICAL EXPENDITURES.—

16 “(1) IN GENERAL.—Any geological and geo-
17 physical expenses paid or incurred in connection
18 with the exploration for, or development of, oil or
19 gas within the United States (as defined in section
20 638) shall be allowed as a deduction ratably over the
21 24-month period beginning on the date that such ex-
22 pense was paid or incurred.

23 “(2) SPECIAL RULES.—For purposes of this
24 subsection, rules similar to the rules of paragraphs
25 (2), (3), and (4) of subsection (h) shall apply.”.

1 (b) CONFORMING AMENDMENT.—Section 263A(c)(3)
2 of the Internal Revenue Code of 1986 is amended by in-
3 serting “167(h), 167(i),” after “under section”.

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall apply to amounts paid or incurred in tax-
6 able years beginning after the date of the enactment of
7 this Act.

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