

[DISCUSSION DRAFT]

JANUARY 26, 2015

114TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to tax business income on a cash flow basis, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Mr. NUNES introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to tax business income on a cash flow basis, 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. SHORT TITLE, ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “American Business Competitiveness Act of 2015”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment

1 to, or repeal of, a section or other provision, the reference
2 shall be considered to be made to a section or other provi-
3 sion of the Internal Revenue Code of 1986.

4 (c) TABLE OF CONTENTS.—The table of contents is
5 as follows:

- Sec. 1. Short title, etc.
- Sec. 2. Congressional findings.
- Sec. 3. Maximum tax rate for net business income.
- Sec. 4. Definition of net business income tax base.
- Sec. 5. Allowance of transition basis deduction.
- Sec. 6. Interest income of individuals taxed in same manner as dividend in-
come; reduced by interest expense.
- Sec. 7. Repeal of depreciation, international, and other tax provisions.
- Sec. 8. Expanded relief for net operating losses.
- Sec. 9. Repeal of corporate AMT and individual AMT preferences and adjust-
ments that pertain to capital cost recovery.
- Sec. 10. Repeal of business tax credits.
- Sec. 11. Disallowance of interest expense deduction, except qualified residence
interest.
- Sec. 12. Cash method of accounting.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 (a) FINDINGS RELATING TO THE DEPRECIATION
8 SYSTEM OF FEDERAL BUSINESS TAXATION.—Congress
9 finds the depreciation system—

10 (1) is rife with outdated asset classifications,
11 inaccurate depreciation schedules, targeted credits
12 and deductions, and targeted expensing provisions;

13 (2) rewards some business activities over oth-
14 ers;

15 (3) reduces savings and investment in the
16 United States by increasing the rate of return that
17 is required for investments to be viable; and

1 (4) creates complexity for both the Internal
2 Revenue Service and businesses.

3 (b) FINDINGS RELATING TO THE DEDUCTION OF
4 BUSINESS INTEREST.—Congress finds that the business
5 interest deduction—

6 (1) encourages businesses to finance their oper-
7 ations with debt;

8 (2) results in negative effective tax rates for
9 some investments; and

10 (3) heightens bankruptcy risk during periods of
11 economic distress.

12 (c) FINDINGS RELATING TO THE EXPENSING OF IN-
13 VESTMENT.—Congress finds that allowing businesses to
14 expense their investments—

15 (1) will make more investment opportunities
16 profitable for businesses to undertake;

17 (2) will promote investment in the United
18 States;

19 (3) will limit the Government's ability to reward
20 specific business activities through the tax code; and

21 (4) will simplify business taxation.

22 **SEC. 3. MAXIMUM TAX RATE FOR NET BUSINESS INCOME.**

23 (a) INDIVIDUAL NET BUSINESS INCOME.—

24 (1) MAXIMUM RATE OF 25 PERCENT.—

1 (A) IN GENERAL.—Paragraph (1) of sec-
2 tion 1(h) is amended—

3 (i) in subparagraph (A)—

4 (I) by striking “the net capital
5 gain” in clause (i) and inserting “the
6 sum of the net capital gain and the
7 net business income”; and

8 (II) by striking “the adjusted net
9 capital gain” in clause (ii)(II) and in-
10 sserting “the sum of the adjusted net
11 capital gain and the net business in-
12 come”; and

13 (ii) in subparagraph (D)(i) by striking
14 “unrecaptured section 1250 gain” and in-
15 sserting “25-percent rate gain”.

16 (B) 25-PERCENT RATE GAIN.—Subsection
17 (h) of section 1 is amended by adding at the
18 end the following:

19 “(12) 25-PERCENT RATE GAIN.—For purposes
20 of this subsection—

21 “(A) unrecaptured section 1250 gain, plus

22 “(B) net business income.”.

23 (2) PHASEIN OF 25-PERCENT RATE FOR NET
24 BUSINESS INCOME.—Subsection (h) of section 1, as

1 amended by paragraph (1), is amended by adding at
2 the end the following:

3 “(13) PHASEIN OF 25-PERCENT RATE FOR NET
4 BUSINESS INCOME.—

5 “(A) IN GENERAL.—During the 10-cal-
6 endar-year period beginning after December 31,
7 2014, paragraph (1) shall be applied with the
8 following modifications with respect to net busi-
9 ness income:

10 “(i) In the case that the applicable
11 percentage for a taxable year is greater
12 than 28 percent—

13 “(I) paragraph (1)(F) shall be
14 applied by subtracting net business in-
15 come (to the extent it has not been
16 taken into account under the pre-
17 ceding subparagraphs of this para-
18 graph) from the excess described
19 therein, and

20 “(II) paragraph (1), after the ap-
21 plication of subparagraphs (A)
22 through (F) (as modified by subclause
23 (I) of this clause) thereof), shall be
24 applied by adding to the sum thereof
25 the applicable percentage of net busi-

1 ness income which has not been taken
 2 into account under the preceding sub-
 3 paragraphs of this paragraph.

4 “(ii) In the case that the applicable
 5 percentage for a taxable year exceeds 25
 6 percent but does not exceed 28 percent,
 7 paragraph (1), after the application of sub-
 8 paragraphs (A) through (E), shall be ap-
 9 plied by adding to the sum thereof the ap-
 10 plicable percentage of net business income
 11 which has not been taken into account
 12 under the preceding subparagraphs of this
 13 paragraph.

14 “(B) APPLICABLE PERCENTAGE.—For
 15 purposes of subparagraph (A), the applicable
 16 percentage for a taxable year shall be deter-
 17 mined under the following table:

| “For taxable years beginning in: | The applicable percentage is: |
|---------------------------------------------|------------------------------------------|
| 2015 | 38.14 percent |
| 2016 | 36.68 percent |
| 2017 | 35.22 percent |
| 2018 | 33.76 percent |
| 2019 | 32.3 percent |
| 2020 | 30.84 percent |
| 2021 | 29.38 percent |
| 2022 | 29.72 percent |
| 2023 | 26.46 percent |
| 2024 | 25 percent. |

18 “(C) COORDINATION.—During the 10-year
 19 period referred to in subsection (a), paragraph
 20 (1) shall be applied without regard to the

1 amendment made by section 3(a)(1) of the
2 American Business Competitiveness Act of
3 2015.

4 “(D) ADJUSTMENT OF TABLES.—The Sec-
5 retary shall adjust the tables prescribed under
6 subsection (f) to carry out this paragraph.”.

7 (b) CORPORATE INCOME TAX RATE REDUCTION;
8 TAX IMPOSED ONLY ON CORPORATION’S NET BUSINESS
9 INCOME.—

10 (1) IN GENERAL.—Section 11 is amended to
11 read as follows:

12 **“SEC. 11. TAX IMPOSED.**

13 “(a) CORPORATIONS IN GENERAL.—A tax is hereby
14 imposed for each taxable year on the net business income
15 of every corporation.

16 “(b) AMOUNT OF TAX.—The amount of the tax im-
17 posed by subsection (a) shall be the sum of—

18 “(1) 15 percent of so much of the net business
19 income as does not exceed \$50,000, and

20 “(2) 25 percent of so much of the net business
21 income as exceeds \$50,000 but does not exceed
22 \$75,000, and

23 “(3) the applicable percentage of so much of
24 the net business income as exceeds \$75,000.

1 In the case of a corporation which has net business income
 2 in excess of \$100,000 for any taxable year, the amount
 3 of tax determined under the preceding sentence for such
 4 taxable year shall be increased by the lesser of (i) 5 per-
 5 cent of such excess, or (ii) \$5,000.

6 “(c) PHASEIN.—For purposes of subparagraph (A),
 7 the applicable percentage for a taxable year shall be deter-
 8 mined under the following table:

| “For taxable years beginning in: | The applicable percentage is: |
|---------------------------------------------|------------------------------------------|
| 2015 | 34 percent |
| 2016 | 33 percent |
| 2017 | 32 percent |
| 2018 | 31 percent |
| 2019 | 30 percent |
| 2020 | 29 percent |
| 2021 | 28 percent |
| 2022 | 27 percent |
| 2023 | 26 percent |
| 2024 and thereafter | 25 percent”. |

9 (2) CONFORMING AMENDMENT.—Paragraphs
 10 (1) and (2) of section 1445(e) are each amended by
 11 striking “35 percent” and inserting “applicable per-
 12 centage (as determined under section 11)”.

13 (c) EFFECTIVE DATE.—The amendments made by
 14 this section shall apply to taxable years beginning on or
 15 after January 1, 2014.

16 **SEC. 4. DEFINITION OF NET BUSINESS INCOME TAX BASE.**

17 (a) IN GENERAL.—Subtitle A is amended by insert-
 18 ing after chapter 2A the following new subchapter:

19 **“CHAPTER 2B—BUSINESS INCOME**

“SUBCHAPTER A. BASIC RULES.

“SUBCHAPTER B. CAPITAL CONTRIBUTIONS, MERGERS, ACQUISITIONS, AND DISTRIBUTIONS.

“SUBCHAPTER C. INTERNATIONAL PROVISIONS.

“SUBCHAPTER D. FINANCIAL INSTITUTIONS.

“SUBCHAPTER E. OTHER DEFINITIONS.

1 **“Subchapter A—Basic Rules**

“Sec. 1421. Net business income.

2 **“SEC. 1421. NET BUSINESS INCOME.**

3 “(a) IN GENERAL.—For purposes of this title, the
4 term ‘net business income’ means, for a taxable year with
5 respect to a business entity, the amount by which the tax-
6 able receipts of the business entity for the taxable year
7 exceed the deductible amounts for the business entity for
8 the taxable year.

9 “(b) TAXABLE RECEIPTS.—

10 “(1) IN GENERAL.—The term ‘taxable receipts’
11 means all receipts from the sale of property, use of
12 property, and performance of services.

13 “(2) GAMES OF CHANCE.—Amounts received
14 for playing games of chance by business entities en-
15 gaging in the activity of providing such games shall
16 be treated as receipts from the sale of property or
17 services.

18 “(3) IN-KIND RECEIPTS.—The taxable receipts
19 attributable to the receipt of property, use of prop-
20 erty or services in whole or partial exchange for

1 property, use of property or services equal the fair
2 market value of the services or property received.

3 “(4) TAXES.—The term ‘taxable receipts’ does
4 not include any excise tax, sales tax, custom duty,
5 or other separately stated levy imposed by a Federal,
6 State, or local government received by a business en-
7 tity in connection with the sale of property or serv-
8 ices or the use of property.

9 “(5) FINANCIAL RECEIPTS.—

10 “(A) IN GENERAL.—The term ‘taxable re-
11 ceipts’ does not include financial receipts.

12 “(B) FINANCIAL RECEIPTS.—The term ‘fi-
13 nancial receipts’ includes—

14 “(i) interest,

15 “(ii) dividends and other distributions
16 by a business entity,

17 “(iii) proceeds from the sale of stock,
18 other ownership interests in business enti-
19 ties, or other financial instruments,

20 “(iv) proceeds from life insurance
21 policies,

22 “(v) proceeds from annuities,

23 “(vi) proceeds from currency hedging
24 or exchanges, and

1 “(vii) proceeds from other financial
2 transactions.

3 “(C) FINANCIAL INSTRUMENT.—The term
4 ‘financial instrument’ means any—

5 “(i) share of stock in a corporation,

6 “(ii) equity ownership in any widely
7 held or publicly traded partnership, trust,
8 or other business entity,

9 “(iii) note, bond, debenture, or other
10 evidence of indebtedness,

11 “(iv) interest rate, currency, or equity
12 notional principal contract,

13 “(v) evidence or interest in, or a de-
14 rivative financial instrument in, any finan-
15 cial instrument described in clause (i), (ii),
16 (iii), or (iv), or any currency, including any
17 option, forward contract, short position,
18 and any similar financial instrument in
19 such a financial instrument or currency,
20 and

21 “(vi) a position which—

22 “(I) is not a financial instrument
23 described in clause (i), (ii), (iii), or
24 (iv),

1 “(II) is a hedge with respect to
2 such a financial instrument, and

3 “(III) is clearly identified in the
4 dealer’s records as being described in
5 this subparagraph before the close of
6 the day on which it was acquired or
7 entered into.

8 “(c) DEDUCTIBLE AMOUNTS.—

9 “(1) IN GENERAL.—The term ‘deductible
10 amounts’ includes for a taxable year with respect to
11 a business entity—

12 “(A) the cost of business purchases in the
13 taxable year (as determined under subsection
14 (d)),

15 “(B) compensation expenses for an indi-
16 vidual (other than amounts paid to an indi-
17 vidual in his capacity as a business entity), or

18 “(C) the cost of employer-provided health
19 insurance for which the employee, members of
20 his family, or persons designated by him or
21 members of his family are the beneficiaries,

22 “(D) such entity’s loss carryover deduction
23 (determined under section 172),

24 “(E) in the case of an entity which is a
25 real estate investment trust, the amount of any

1 dividend payment made to a shareholder of
2 such trust, and

3 “(F) the transition basis deduction (as de-
4 termined under section 5 of the American Busi-
5 ness Competitiveness Act of 2015).

6 “(2) COMPENSATION EXPENSES.—For purposes
7 of subsection (a), the term ‘compensation expenses’
8 means—

9 “(A) wages, salaries or other cash payable
10 for services,

11 “(B) any taxes imposed on the recipient
12 that are withheld by the business entity,

13 “(C) the cost of property purchased to pro-
14 vide employees with compensation (other than
15 property incidental to the provision of fringe
16 benefits that are excluded from income under
17 the individual tax), and

18 “(D) the cost of fringe benefits other than
19 health insurance deductible under paragraph
20 (1)(C).

21 “(3) PHASEIN OF COMPENSATION DEDUC-
22 TION.—

23 “(A) IN GENERAL.—For purposes of para-
24 graph (2), in the case of compensation expenses
25 described in subparagraphs (A), (C), and (D) of

1 paragraph (2) of an applicable large employer,
 2 the amount taken into account under paragraph
 3 (2) shall be the applicable percentage of such
 4 amount (determined without regard to this
 5 paragraph).

6 “(B) APPLICABLE PERCENTAGE.—For
 7 purposes of subparagraph (A), the applicable
 8 percentage for a taxable year shall be deter-
 9 mined under the following table:

| “For taxable years beginning in: | The applicable percentage is: |
|---------------------------------------------|------------------------------------------|
| 2015 | 80 percent |
| 2016 | 82 percent |
| 2017 | 84 percent |
| 2018 | 86 percent |
| 2019 | 88 percent |
| 2020 | 90 percent |
| 2021 | 92 percent |
| 2022 | 94 percent |
| 2023 | 96 percent |
| 2024 | 98 percent |
| 2025 and thereafter | 100 percent. |

10 “(C) APPLICABLE LARGE EMPLOYER.—
 11 For purposes of subparagraph (A), the term
 12 ‘applicable large employer’ has the meaning
 13 given such term by section 4980H(c)(2).

14 “(4) PASS-THRU WAGES MUST BE REASON-
 15 ABLE.—For purposes of paragraph (2)(A), amounts
 16 payable as wages, salaries or other cash payable for
 17 services by a S corporation, partnership, or other
 18 pass-thru entity shall not be treated as wages, sala-

1 ries or other cash payable for services unless such
2 amounts are reasonable for the service rendered.

3 “(d) COST OF BUSINESS PURCHASES.—

4 “(1) BUSINESS PURCHASES.—

5 “(A) IN GENERAL.—The term ‘business
6 purchases’ means the acquisition of—

7 “(i) property,

8 “(ii) the use of property, or

9 “(iii) services,

10 for use in a business activity.

11 “(B) EXAMPLES.—Business purchases in-
12 clude (without limitation) the—

13 “(i) purchase or rental of real prop-
14 erty,

15 “(ii) purchase or rental of capital
16 equipment,

17 “(iii) purchase of supplies and inven-
18 tory,

19 “(iv) purchase of services from inde-
20 pendent contractors, and

21 “(v) imports for use in a business ac-
22 tivity.

23 “(C) EXCLUSIONS.—Business purchases
24 do not include—

1 “(i) payments for use of money or
2 capital, such as interest or dividends (ex-
3 cept to the extent that a portion so paid is
4 a fee for financial intermediation services),

5 “(ii) premiums for life insurance,

6 “(iii) the acquisition of savings assets
7 or other financial instruments (as defined
8 in subsection (b)(5)(C)),

9 “(iv) taxes (except as provided in sub-
10 section (b)(2) relating to product taxes),
11 and

12 “(v) the cost of financial instruments
13 (as defined in subsection (b)(5)(C)).

14 “(2) COST OF BUSINESS PURCHASES.—

15 “(A) IN GENERAL.—The term ‘cost of a
16 business purchase’ is the amount paid or to be
17 paid for the business purchase.

18 “(B) PROPERTY AND SERVICES ACQUIRED
19 FOR PROPERTY.—If a business entity receives
20 property or services from a business entity in
21 whole or partial exchange for property or serv-
22 ices, the property or services acquired shall be
23 treated as if they were purchased for an
24 amount equal to the fair market value of the
25 services or property received. For purposes of

1 this section, property includes stock and other
2 equity interests in business other than stock or
3 an equity interest in the business entity acquir-
4 ing the property or services. See section 1422
5 for rules on property or services received in ex-
6 change for an equity interest in the recipient.

7 “(C) GAMBLING PAYMENTS.—In the case
8 of a business involving gambling, lotteries, or
9 other games of chance, business purchases in-
10 clude amounts paid to winners.

11 “(e) BUSINESS ENTITY AND BUSINESS ACTIVITY.—

12 “(1) BUSINESS ENTITY.—For purposes of de-
13 termining business income, the term ‘business entity’
14 means any corporation (including any S corpora-
15 tion), unincorporated association, partnership, lim-
16 ited liability company, proprietorship, independent
17 contractor, individual, or any other person, engaging
18 in business activity in the United States. An indi-
19 vidual shall be considered a business entity only with
20 respect to the individual’s business activities.

21 “(2) BUSINESS ACTIVITY.—The term ‘business
22 activity’ means the sale of property or services, the
23 leasing of property, the development of property or
24 services for subsequent sale or use in producing
25 property or services for subsequent sale. The term

1 ‘business activity’ does not include casual or occa-
2 sional sales of property used by an individual (other
3 than in a business activity), such as the sale by an
4 individual of a vehicle used by the individual.

5 “(3) EXCEPTION FOR CERTAIN EMPLOYEES.—

6 “(A) IN GENERAL.—The term ‘business
7 activity’ does not include—

8 “(i) the performance of services by an
9 employee for an employer that is a busi-
10 ness entity with respect to the activity in
11 which the employee is engaged, or

12 “(ii) the performance of regular do-
13 mestic household services (including baby-
14 sitting, housecleaning, and lawn cutting)
15 by an employee of an employer that is an
16 individual or family.

17 “(B) EMPLOYEE DEFINED.—For purposes
18 of this subsection, the term ‘employee’ includes
19 an individual partner who provides services to a
20 partnership or an individual member who pro-
21 vides services to a limited liability company, or
22 a proprietor with respect to compensation for
23 services from his proprietorship.

24 “(f) SAVINGS ASSETS.—The term ‘savings assets’
25 means stocks, bonds, securities, certificates of deposits, in-

1 vestments in partnerships and limited liability companies,
2 shares of mutual funds, life insurance policies, annuities,
3 and other similar savings or investment assets.

4 **“Subchapter B—Capital Contributions,**
5 **Mergers, Acquisitions, and Distributions**

“Sec. 1422. Contributions to a business entity.

“Sec. 1422A. Distributions of property.

“Sec. 1422B. Asset acquisitions.

“Sec. 1422C. Mergers, stock acquisitions, and spin-offs, split-offs, etc.

6 **“SEC. 1422. CONTRIBUTIONS TO A BUSINESS ENTITY.**

7 “(a) BY BUSINESS ENTITY.—

8 “(1) CASH.—If a business entity contributes
9 cash to a business entity of which it is or becomes
10 a partial or full owner, the amount contributed is
11 not a deductible amount to the contributor or a tax-
12 able receipt to the recipient.

13 “(2) PROPERTY OR SERVICES.—If a business
14 entity contributes property or services to a business
15 entity of which it is or becomes a partial or full
16 owner, the transaction will not result in taxable re-
17 cepts to the contributor or a deduction for a busi-
18 ness purchase for the recipient and will not con-
19 stitute a sale resulting in taxable receipts to the con-
20 tributor.

21 “(b) BY INDIVIDUAL.—

22 “(1) CASH.—If an individual contributes cash
23 to a business entity, the amount contributed is not

1 a deductible amount to the contributor and the cash
2 received by the business entity is not a taxable re-
3 ceipt.

4 “(2) NEW PROPERTY.—If an individual contrib-
5 utes to a business entity property that the individual
6 purchased for the business entity but which was not
7 used by any person after its purchase, the property
8 shall be considered purchased by such business enti-
9 ty from the person from which the individual pur-
10 chased the property and the transaction will not re-
11 sult in a deductible amount to the contributor.

12 “(3) PERSONAL USE PROPERTY.—

13 “(A) IN GENERAL.—If an individual con-
14 tributes personal use property to a business en-
15 tity in which the individual has an ownership
16 interest or for which the individual receives an
17 ownership interest, the business entity shall not
18 be permitted to deduct the value of the property
19 received as a business expense. The business
20 entity will have a tax basis in the contributed
21 property equal to the contributor’s basis.

22 “(B) PERSONAL USE PROPERTY.—The
23 term ‘personal use property’ means any prop-
24 erty used by an individual at any time other
25 than in a business activity.

1 “(4) SERVICES.—If an individual contributes
2 services to a business entity in which the individual
3 has an ownership interest or receives an ownership
4 interest, the business entity shall not be permitted to
5 deduct the value of the services received (or the
6 value of the equity interest provided to the services
7 provider).

8 **“SEC. 1422A. DISTRIBUTIONS OF PROPERTY.**

9 “(a) DISTRIBUTIONS OTHER THAN TO CONTROL-
10 LING BUSINESS.—If a business entity distributes all or a
11 portion of its assets to its owners (other than a controlling
12 business entity), the business entity will be treated as if
13 it sold the assets to its owners at fair market value. The
14 fair market value will be determined by the distributing
15 business entity and those determinations, unless unreason-
16 able, will be binding on the recipients.

17 “(b) DISTRIBUTIONS TO A CONTROLLING BUSI-
18 NESS.—If a business entity distributes all or a portion of
19 its assets to a controlling business entity, the controlling
20 business entity will assume the distributing entity’s tax
21 attributes with respect to the assets and neither entity will
22 have taxable receipts or a deduction as a result of the
23 transaction.

24 “(c) DISTRIBUTION OF PERSONAL USE PROP-
25 ERTY.—If personal use property is distributed to the indi-

1 vidual who contributed the personal use property to a busi-
2 ness entity, the fair market value of the property for pur-
3 poses of subsection (a) shall equal the basis of the prop-
4 erty plus any enhancement in value of the property attrib-
5 utable to business purchases with respect to the property.

6 “(d) CONTROLLING BUSINESS ENTITY.—A business
7 entity is a ‘controlling business entity’ with respect to an-
8 other business entity if it, or any person to which it is
9 related, owns directly or indirectly more than 50 percent
10 of the profits or capital interest in the other business enti-
11 ty. For purposes of the preceding sentence, a person is
12 related to a business entity if such person owns directly
13 or indirectly more than 50 percent of the profits or capital
14 interest in the business entity.

15 “(e) APPLICATION OF THIS SECTION.—This section
16 applies to both liquidating and nonliquidating distribu-
17 tions.

18 **“SEC. 1422B. ASSET ACQUISITIONS.**

19 “(a) IN GENERAL.—If a business entity transfers
20 some or all of its assets, the consideration received for
21 such assets shall be allocated among the assets transferred
22 in the same manner as was required by section 1060 of
23 the Internal Revenue Code of 1986. If the transferee and
24 transferor agree in writing on the allocation of any consid-
25 eration, or as to the fair market value of any of the assets,

1 such agreement shall be binding on both the transferor
2 and transferee unless the Secretary determines that such
3 allocation (or fair market value) is not appropriate.

4 “(b) TAX CONSEQUENCES.—The tax consequences of
5 an asset acquisition shall be determined in accordance
6 with the rules of this chapter and shall be dependent upon
7 allocations made under subsection (a). In general, consid-
8 eration allocable to savings assets, such as stock in an-
9 other business entity, would not be included in taxable re-
10 cepts of the transferor and would not be a business pur-
11 chase of the purchaser, but consideration allocable to the
12 sale of tangible property and intangible property (other
13 than savings assets) will constitute taxable receipts of the
14 seller and a business purchase of the purchaser.

15 “(c) ELECTION TO TREAT ASSET ACQUISITION AS A
16 STOCK ACQUISITION.—In the case of the sale of substan-
17 tially all of the assets of a business entity or substantially
18 all of the assets of a line of business or a separately stand-
19 ing business of a business entity, the transferee and trans-
20 feror can jointly elect to treat the acquisition as if it were
21 an acquisition of the stock of a business entity holding
22 the assets so transferred. In such case, the rules of section
23 1422C shall apply.

24 “(d) AUTHORITY TO REQUIRE ALLOCATION AGREE-
25 MENT AND NOTICE TO THE SECRETARY.—If the Sec-

1 retary determines that certain types of asset acquisitions
2 have significant possibilities of tax avoidance, the Sec-
3 retary may require—

4 “(1) parties to such types of acquisitions to
5 enter into agreements allocating consideration,

6 “(2) parties to acquisitions involving certain
7 kinds of assets to enter into agreements allocating
8 part of the consideration to those assets, or

9 “(3) parties to certain acquisitions to report in-
10 formation to the Secretary.

11 “(e) ASSET ACQUISITION RULES DO NOT APPLY IF
12 CONSIDERATION INCLUDES EQUITY IN PURCHASER.—

13 “(1) IN GENERAL.—If a business entity issues
14 its own equity or equity in a subsidiary or other con-
15 trolled entity as part of the consideration for the
16 transfer of assets to it, the transaction shall be
17 treated as a business purchase and not as an asset
18 acquisition, and the taxpayer shall not be entitled to
19 a loss carryover for any unused deduction attrib-
20 utable to the equity portion of such transfer.

21 “(2) EQUITY.—For purposes of this subsection,
22 equity means—

23 “(A) stock, in the case of a corporation,

1 “(B) partnership or similar interest, in the
2 case of a partnership or limited liability com-
3 pany, and

4 “(C) an ownership interest or interest in
5 profits in the case of any other business entity.

6 **“SEC. 1422C. MERGERS, STOCK ACQUISITIONS, AND SPIN-**
7 **OFFS, SPLIT-OFFS, ETC.**

8 “(a) MERGERS.—A merger of one business entity
9 into another or two businesses entities into a third busi-
10 ness entity or any other similar transaction shall have no
11 direct consequences under the business cash flow tax. The
12 surviving entity shall assume the tax attributes of the
13 merged business entities, including any loss carryovers
14 and credit carryovers.

15 “(b) STOCK ACQUISITION.—The acquisition of all or
16 substantially all of the ownership interest in one business
17 entity either for cash or in exchange for ownership in the
18 acquiring entity or an entity controlled by the acquired
19 entity shall have no direct consequences under the busi-
20 ness cash flow tax.

21 “(c) SPIN-OFFS, SPLIT-OFFS, ETC.—A spin-off,
22 split-off or split-up of a business entity shall have no direct
23 tax consequences under this chapter.

24 **“Subchapter C—International Provisions**

 “Sec. 1423. No tax imposed on income derived from trade or business outside
 the United States.

“Sec. 1423A. No credit allowed for foreign taxes on income derived from trade or business outside the United States.

“Sec. 1423B. 5 percent toll charge on undistributed foreign earnings.

1 **“SEC. 1423. NO TAX IMPOSED ON INCOME DERIVED FROM**
2 **TRADE OR BUSINESS OUTSIDE THE UNITED**
3 **STATES.**

4 “(a) IN GENERAL.—Only taxable receipts and de-
5 ductible amounts which are effectively connected with the
6 conduct of a trade or business within the United States
7 shall be included or deducted in the computation of net
8 business income.

9 “(b) No tax shall be imposed under this title on in-
10 come effectively connected with the conduct of a trade or
11 business that is not a trade or business within the United
12 States.

13 **“SEC. 1423A. NO CREDIT ALLOWED FOR FOREIGN TAXES ON**
14 **INCOME DERIVED FROM TRADE OR BUSI-**
15 **NESS OUTSIDE THE UNITED STATES.**

16 “(a) IN GENERAL.—No credit shall be allowed under
17 this title for any income, war profits, or excess profits
18 taxes paid or accrued with respect to income effectively
19 connected with the conduct of a trade or business that
20 is not a trade or business within the United States.

21 “(b) UNUSED FOREIGN TAX CREDITS.—Under regu-
22 lations prescribed by the Secretary, any taxpayer that is
23 a corporation may elect to treat foreign tax credit

1 carryovers from taxable years beginning prior to January
2 1, 2015, as general business credit carryovers.

3 **“SEC. 1423B. 5 PERCENT TOLL CHARGE ON UNDISTRIB-**
4 **UTED FOREIGN EARNINGS.**

5 “There is hereby imposed on any domestic corpora-
6 tion which owns 10 percent or more of the voting stock
7 of a foreign corporation a tax equal to 5 percent of the
8 corporation’s post-1986 undistributed earnings for the
9 corporation’s last taxable year beginning prior to January
10 1, 2015. For purposes of this subsection, post-1986 undis-
11 tributed earnings shall be computed as provided in section
12 902(c)(1) of the Internal Revenue Code of 1986 (as in
13 effect prior to the enactment of the American Business
14 Competitiveness Act of 2015), except that such undistrib-
15 uted earnings shall be diminished by the dividends distrib-
16 uted during such taxable year. Except as provided in regu-
17 lations prescribed by the Secretary, the tax imposed by
18 this subsection shall be paid at the same time and in the
19 same manner as the tax imposed by section 11 for the
20 corporation’s first taxable year beginning on or after Jan-
21 uary 1, 2015.

22 **“Subchapter D—Financial Institutions**

“Sec. 1424. Real-plus-financial treatment of certain transactions involving fi-
nancial institutions.

1 **“SEC. 1424. REAL-PLUS-FINANCIAL TREATMENT OF CER-**
2 **TAIN TRANSACTIONS INVOLVING FINANCIAL**
3 **INSTITUTIONS.**

4 “(a) **TAXATION OF TRANSACTIONS BETWEEN FINAN-**
5 **CIAL INSTITUTIONS AND BUSINESSES.—**

6 “(1) **GENERAL RULE.—**In the case of a tax-
7 payer that is a financial institution, taxable receipts
8 shall include all amounts received in covered finan-
9 cial transactions and deductible amounts and shall
10 include all amounts paid in covered financial trans-
11 actions.

12 “(2) **FINANCIAL INSTITUTIONS.—**For purposes
13 of this section, ‘financial institution’ shall mean,
14 under regulations prescribed by the Secretary, any
15 business entity that is regulated by any Federal or
16 State agency as a financial institution. Such term
17 includes regulated banks, insurance companies, cred-
18 it unions, investment banks, securities brokers, and
19 mutual funds.

20 “(3) **COVERED FINANCIAL TRANSACTIONS.—**
21 For purposes of this section, ‘covered financial
22 transactions’ shall mean transactions between a fi-
23 nancial institution and a party that is not a business
24 entity as defined in section 1421(e)(1). Under regu-
25 lations prescribed by the Secretary, transactions that
26 do not involve any significant provision of financial

1 services (other than services for which explicit fees
2 are charged) shall be treated as not being covered fi-
3 nancial transactions.

4 “(b) **TRANSITION RULE.**—Under regulations pre-
5 scribed by the Secretary, a tax is imposed on any financial
6 institution equal to 25 percent of the institution’s net
7 claims against parties that are not business entities, as
8 defined in section 1421(e)(1). Such claims shall be valued
9 at the end of the financial institution’s last taxable year
10 beginning before January 1, 2015, with value measured
11 by the institution’s basis in such claims. Except as pro-
12 vided in regulations prescribed by the Secretary, the tax
13 imposed by this subsection shall be paid at the same time
14 and in the same manner as the net business income tax
15 for the financial institution’s first taxable year beginning
16 on or after January 1, 2015.

17 **“Subchapter E—Other Definitions**

“Sec. 1425. Other definitions.

18 **“SEC. 1425. OTHER DEFINITIONS.**

19 “(a) **IN GENERAL.**—When used in this chapter,
20 where not otherwise distinctly expressed or manifestly in-
21 compatible with the intent thereof—

22 “(1) **UNITED STATES.**—The term ‘United
23 States’ includes the States and the District of Co-
24 lumbia.

1 “(2) TREATMENT OF POSSESSIONS.—

2 “(A) IN GENERAL.—For purposes of this
3 chapter, the United States possessions shall not
4 be treated as part of the United States.

5 “(B) POSSESSION.—For purposes of para-
6 graph (1), ‘United States possession’ or ‘possession’
7 means a possession of the United States
8 and includes the Commonwealth of Puerto Rico,
9 the Commonwealth of the Northern Marianas
10 Islands, Guam, American Samoa, and the
11 United States Virgin Islands.

12 “(3) DEFINITIONS GENERALLY.—Any definition
13 included in this chapter shall apply for all purposes
14 of this chapter unless—

15 “(A) such definition is limited to the pur-
16 poses of a particular chapter, section, or sub-
17 section, or

18 “(B) the definition clearly would not be ap-
19 plicable in a particular context.

20 “(b) INTERPRETATIONS CONSISTENT WITH REST OF
21 INTERNAL REVENUE CODE OF 1986.—Terms not defined
22 in this chapter, but defined elsewhere in this title, shall
23 be interpreted in a manner consistent with this title, ex-
24 cept to the extent such interpretation would be incon-
25 sistent with the principles and purposes of this chapter.”.

1 (b) EXEMPT ORGANIZATIONS AND UNRELATED
2 BUSINESS INCOME.—Sections 512 and 514 are both
3 amended by striking “gross income” each place it appears
4 and inserting “net business income”.

5 (c) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to taxable years beginning on or
7 after January 1, 2015, except to the extent otherwise spe-
8 cifically provided in the text of such amendments.

9 **SEC. 5. ALLOWANCE OF TRANSITION BASIS DEDUCTION.**

10 In the case of any property held by the taxpayer on
11 December 31, 2014, and used in a trade or business of
12 the taxpayer on such date, the following rules shall apply:

13 (1) BASIS.—The basis of such property shall be
14 zero.

15 (2) DEDUCTION.—

16 (A) IN GENERAL.—There shall be allowed
17 to the taxpayer a deduction with respect to such
18 property, other than land.

19 (B) AMOUNT OF DEDUCTION.—Except as
20 provided in subparagraph (D), such deduction
21 shall be determined for a taxable year by amor-
22 tizing the basis of such property on the same
23 schedule and method that applied to such prop-
24 erty before the enactment of this Act.

1 (C) DISPOSAL OF PROPERTY.—Subpara-
2 graph (A) shall apply with respect to property
3 held by the taxpayer on December 31, 2014,
4 whether or not the taxpayer disposes of such
5 property after December 31, 2014.

6 (D) INVENTORY.—In the case of inventory,
7 the deduction allowed by subparagraph (A)
8 shall be allowed in the taxable year of the tax-
9 payer which includes January 1, 2015.

10 **SEC. 6. INTEREST INCOME OF INDIVIDUALS TAXED IN**
11 **SAME MANNER AS DIVIDEND INCOME; RE-**
12 **DUCTED BY INTEREST EXPENSE.**

13 (a) IN GENERAL.—Subparagraph (A) of section
14 1(h)(11) is amended by striking “qualified dividend in-
15 come” and inserting “the sum of qualified dividend income
16 and qualified interest income and reduced by interest ex-
17 pense”.

18 (b) QUALIFIED INTEREST INCOME.—Paragraph (11)
19 of section 1(h) is amended by adding at the end the fol-
20 lowing:

21 “(E) QUALIFIED INTEREST INCOME.—For
22 purposes of this paragraph, the term ‘qualified
23 interest income’ means—

24 “(i) interest on deposits with a bank
25 (as defined in section 581),

1 “(ii) amounts (whether or not des-
2 ignated as interest) paid, in respect of de-
3 posits, investment certificates, or
4 withdrawable or repurchasable shares,
5 by—

6 “(I) a mutual savings bank, co-
7 operative bank, domestic building and
8 loan association, industrial loan asso-
9 ciation or bank, or credit union, or

10 “(II) any other savings or thrift
11 institution which is chartered and su-
12 pervised under Federal or State law,
13 the deposits or accounts in which are
14 insured under Federal or State law or
15 which are protected and guaranteed
16 under State law,

17 “(iii) interest on—

18 “(I) evidences of indebtedness
19 (including bonds, debentures, notes,
20 and certificates) issued by a domestic
21 corporation in registered form, and

22 “(II) to the extent provided in
23 regulations prescribed by the Sec-
24 retary, other evidences of indebtedness
25 issued by a domestic corporation of a

1 type offered by corporations to the
2 public,

3 “(iv) interest on obligations of the
4 United States, a State, or a political sub-
5 division of a State (not excluded from
6 gross income of the taxpayer under any
7 other provision of law), and

8 “(v) interest attributable to partici-
9 tion shares in a trust established and
10 maintained by a corporation established
11 pursuant to Federal law.”.

12 (c) INTEREST EXPENSE.—Paragraph (11) of section
13 1(h), as amended by subsection (b), is amended by insert-
14 ing at the end the following:

15 “(F) INTEREST EXPENSE.—The term ‘in-
16 terest expense’ means interest paid by the tax-
17 payer other than qualified residence interest.”.

18 (d) CONFORMING AMENDMENT.—The heading for
19 section 1(h)(11) is amended by inserting “AND INTEREST”
20 after “DIVIDENDS”.

21 (e) EFFECTIVE DATE.—The amendments made by
22 this section shall apply to taxable years beginning after
23 December 31, 2014.

1 **SEC. 7. REPEAL OF DEPRECIATION, INTERNATIONAL, AND**
2 **OTHER TAX PROVISIONS.**

3 (a) DEPRECIATION AND COST RECOVERY PROVI-
4 SIONS.—The following sections of the Internal Revenue
5 Code of 1986 are hereby repealed:

6 (1) Section 167 (relating to depreciation).

7 (2) Section 168 (relating to accelerated cost re-
8 covery system).

9 (3) Section 169 (relating to amortization of pol-
10 lution control facilities).

11 (4) Section 175 (relating to soil and water con-
12 servation expenditures; endangered species recovery
13 expenditures).

14 (5) Section 178 (relating to amortization of cost
15 of acquiring a lease).

16 (6) Section 179 (relating to election to expense
17 certain depreciable business assets).

18 (7) Section 179A (relating to deduction for
19 clean-fuel vehicles and certain refueling property).

20 (8) Section 179B (relating to deduction for cap-
21 ital costs incurred in complying with Environmental
22 Protection Agency sulfur regulations).

23 (9) Section 179C (relating to election to ex-
24 pense certain refineries).

25 (10) Section 179D (relating to energy efficient
26 commercial buildings deduction).

1 (11) Section 179E (relating to election to ex-
2 pense advanced mine safety equipment).

3 (12) Section 190 (relating to expenditures to
4 remove architectural and transportation barriers to
5 the handicapped and elderly).

6 (13) Section 194 (relating to treatment of re-
7 forestation expenditures).

8 (14) Section 197 (relating to amortization of
9 goodwill and certain other intangibles).

10 (15) Section 198 (relating to expensing of envi-
11 ronmental remediation costs).

12 (16) Section 198A (relating to expensing of
13 qualified disaster expenses).

14 (17) Section 199 (relating to income attrib-
15 utable to domestic production activities).

16 (18) Section 263 (relating to capital expendi-
17 tures).

18 (19) Section 263A (relating to capitalization
19 and inclusion in inventory costs of certain expenses).

20 (20) Section 471 (relating to general rule for
21 inventories).

22 (21) Section 472 (relating to last-in, first-out
23 inventories).

24 (22) Section 473 (relating to qualified liquida-
25 tions of LIFO inventories).

1 (23) Section 474 (relating to simplified dollar-
2 value LIFO method for certain small businesses).

3 (24) Section 611 (relating to allowance of de-
4 duction for depletion).

5 (25) Section 612 (relating to basis for cost de-
6 pletion).

7 (26) Section 613 (relating to percentage deple-
8 tion).

9 (27) Section 613A (relating to limitations on
10 percentage depletion in case of oil and gas wells).

11 (28) Section 614 (relating to definition of prop-
12 erty).

13 (29) Section 616 (relating to development ex-
14 penditures).

15 (30) Section 617 (relating to deduction and re-
16 capture of certain mining exploration expenditures).

17 (b) RECOGNITION OF REVENUE AND TIMING OF DE-
18 DUCTION PROVISIONS.—The following provisions of the
19 Internal Revenue Code of 1986 are hereby repealed:

20 (1) Section 456 (relating to prepaid dues in-
21 come of certain membership organizations).

22 (2) Section 458 (relating to magazines, paper-
23 backs, and records returned after the close of the
24 taxable year).

1 (3) Section 460 (relating to special rules for
2 long-term contracts).

3 (4) Section 467 (relating to certain payments
4 for the use of property or services).

5 (5) Section 468 (relating to special rules for
6 mining and solid waste reclamation and closing
7 costs).

8 (c) INTERNATIONAL PROVISIONS.—The following
9 provisions of the Internal Revenue Code of 1986 are here-
10 by repealed:

11 (1) Section 902 (relating to deemed paid credit
12 where domestic corporation owns 10 percent or more
13 of voting stock of foreign corporation).

14 (2) Section 907 (relating to special rules in case
15 of foreign oil and gas income).

16 (3) Subpart F of part III of subchapter N of
17 chapter 1 (relating to controlled foreign corpora-
18 tions) other than section 965.

19 (4) Subpart G of part III of subchapter N of
20 chapter 1 (relating to export trade corporations).

21 (5) Part IV of part III of subchapter N of
22 chapter 1 (relating to domestic international sales
23 corporations).

24 (d) EFFECTIVE DATE.—

1 (1) SUBSECTION (a).—The amendments made
2 by subsection (a) shall apply to property placed in
3 service after December 31, 2014, in taxable years
4 ending after that date.

5 (2) SUBSECTION (b).—The amendments made
6 by subsection (b) of this section shall apply to tax-
7 able years beginning on or after January 1, 2015.

8 **SEC. 8. EXPANDED RELIEF FOR NET OPERATING LOSSES.**

9 (a) EXTENDED CARRYBACK; UNLIMITED
10 CARRYFORWARD WITH INTEREST.—Paragraph (1) of sec-
11 tion 172(b) is amended to read as follows:

12 “(1) YEARS TO WHICH LOSS MAY BE CAR-
13 RIED.—

14 “(A) IN GENERAL.—A net operating loss
15 for any taxable year—

16 “(i) shall be a net operating loss
17 carryback to each of the 5 taxable years
18 preceding the taxable year of such loss,
19 and

20 “(ii) shall be a net operating loss car-
21 ryover to the succeeding taxable year and
22 added to the deduction allowable under
23 subsection (a) for such taxable year.

24 “(B) LIMITATION.—A net operating loss
25 may not be carried back to any taxable year

1 ending before January 1, 2015, except that a
2 loss arising in a taxable year beginning in cal-
3 endar year 2015 or calendar year 2016 may be
4 carried back to the two preceding taxable
5 years.”.

6 (b) INTEREST ON CARRYFORWARD.—Section 172(b)
7 is amended by adding at the end the following new para-
8 graph:

9 “(4) INTEREST ON CARRYFORWARD.—The
10 amount of any net operating loss carryover shall,
11 prior to being carried to a succeeding taxable year,
12 be increased by an amount equal to such carryover
13 multiplied by the Federal short-term rate (as defined
14 in section 1274(d)) for the month in which or with
15 which the taxable year ends.”.

16 (c) CONFORMING AMENDMENTS.—

17 (1) Section 172(d)(1) is amended by inserting
18 “(other than by reason of subsection (b)(1)(B))”
19 after “deduction”.

20 (2) Section 172 is amended by striking sub-
21 sections (f), (i), and (j) and redesignating sub-
22 sections (g), (h), and (k) as subsections (f), (g), and
23 (h), respectively.

1 (d) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to net operating losses arising in
3 taxable years beginning after December 31, 2014.

4 **SEC. 9. REPEAL OF CORPORATE AMT AND INDIVIDUAL AMT**
5 **PREFERENCES AND ADJUSTMENTS THAT**
6 **PERTAIN TO CAPITAL COST RECOVERY.**

7 (a) CORPORATE AMT.—Section 55(a)(1)(B) is
8 amended by adding at the end the following flush sen-
9 tence:

10 “For purposes of this title, the tentative min-
11 imum tax of any corporation for any taxable
12 year ending after December 31, 2014, shall be
13 zero.”.

14 (b) INDIVIDUAL AMT.—

15 (1) Section 56 is amended—

16 (A) by striking paragraphs (1), (2), (3),
17 (5), and (6) of subsection (a); and

18 (B) by striking subsection (b)(2).

19 (2) Section 57 is amended—

20 (A) by striking paragraphs (1), (2), (6),
21 and (7) of subsection (a); and

22 (B) by striking subsection (b).

23 (c) EFFECTIVE DATE.—

1 (1) CORPORATE AMT.—The amendments made
2 by subsection (a) shall apply to taxable years ending
3 after December 31, 2014.

4 (2) INDIVIDUAL AMT.—The amendments made
5 by subsection (b) shall apply to amounts paid or in-
6 curred after December 31, 2014.

7 **SEC. 10. REPEAL OF BUSINESS TAX CREDITS.**

8 (a) IN GENERAL.—Subparts D and E (other than
9 sections 49 and 50) of part IV of subchapter A of chapter
10 1 are hereby repealed.

11 (b) SPECIAL RULE FOR CARRYBACK AND
12 CARRYFORWARD OF UNUSED CREDITS.—Any carryback
13 or carryforward that arose under section 39 of the Inter-
14 nal Revenue Code of 1986 (as in effect before the repeal
15 of such section by subsection (a)) shall be allowed under
16 section 38 of such Code (as in effect before the repeal of
17 such section by subsection (a)), in accordance with the
18 terms of such sections (as so in effect).

19 (c) EFFECTIVE DATE.—The repeals made by this
20 section shall apply to amounts paid or incurred on or after
21 January 1, 2015.

1 **SEC. 11. DISALLOWANCE OF INTEREST EXPENSE DEDUC-**
2 **TION, EXCEPT QUALIFIED RESIDENCE INTER-**
3 **EST.**

4 (a) IN GENERAL.—Section 163 is amended by adding
5 at the end the following:

6 (1) in subsection (a) by striking “There” and
7 inserting “Except as provided by subsection (n),
8 there”,

9 (2) by redesignating subsection (n) as sub-
10 section (o), and

11 (3) by inserting after subsection (m) the fol-
12 lowing new subsection:

13 “(n) TERMINATION.—

14 “(1) IN GENERAL.—Except as provided by sub-
15 section (h)(2)(D) and paragraph (2), this section
16 shall not apply to interest paid or accrued after De-
17 cember 31, 2014.

18 “(2) TRANSITION INTEREST DEDUCTION.—

19 “(A) IN GENERAL.—In the case of a tax-
20 payer who is a corporation, there shall be al-
21 lowed as a deduction for a taxable year the sum
22 of the monthly transition interest deductions for
23 the taxable year.

24 “(B) MONTHLY TRANSITION INTEREST DE-
25 DUCTION.—For purposes of subparagraph
26 (A)—

1 “(i) IN GENERAL.—The monthly tran-
2 sition interest deduction for any month is
3 the transition interest amount multiplied
4 by the applicable percentage for such
5 month.

6 “(ii) APPLICABLE PERCENTAGE DE-
7 FINED.—The term ‘applicable percentage’
8 means, with respect to a month, 100 per-
9 cent reduced (but not below zero) by .833
10 for each month of the transition period oc-
11 curring before the month for which such
12 percentage is determined.

13 “(iii) TRANSITION INTEREST
14 AMOUNT.—The transition interest amount
15 is the deduction allowed to the taxpayer
16 under this section for the last full taxable
17 year ending before January 1, 2015.

18 “(iv) TRANSITION PERIOD.—The term
19 ‘transition period’ means the 120-month
20 period beginning with January 2015.”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall apply to interest paid or accrued on
23 or after January 1, 2015.

1 **SEC. 12. CASH METHOD OF ACCOUNTING.**

2 (a) IN GENERAL.—Subsection (a) of section 446 is
3 amended to read as follows:

4 “(a) GENERAL RULE.—Taxable income shall be com-
5 puted under the cash receipts and disbursements method
6 of accounting.”.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Section 446 is amended by striking sub-
9 sections (b), (c), and (e).

10 (2) The following sections of the Internal Rev-
11 enue Code of 1986 are repealed:

12 (A) Section 447 (relating to method of ac-
13 counting for corporations engaged in farming).

14 (B) Section 448 (relating to limitation on
15 use of cash method of accounting).

16 (c) EFFECTIVE DATE.—

17 (1) IN GENERAL.—The amendments made by
18 this section shall apply to taxable years beginning
19 after December 31, 2014.

20 (2) CHANGE IN METHOD OF ACCOUNTING.—In
21 the case of any taxpayer required by an amendment
22 made by this section to change its method of ac-
23 counting for its first taxable year beginning after the
24 date of the enactment of this Act—

25 (A) such change shall be treated as initi-
26 ated by the taxpayer;

1 (B) such change shall be treated as made
2 with the consent of the Secretary of the Treas-
3 ury; and

4 (C) the net amount of the adjustments re-
5 quired to be taken into account by the taxpayer
6 under section 481 of the Internal Revenue Code
7 of 1986 shall be taken into account ratably over
8 a period (not greater than 8 taxable years) be-
9 ginning with such first taxable year.