

**STATEMENTS ON INTRODUCED BILLS AND JOINT RESOLUTIONS --  
(Senate - March 15, 2005)**

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By Mr. CONRAD (for himself and Mr. **KYL**):

S. 621. A bill to amend the Internal Revenue Code of 1986 to permanently extend the 15-year recovery period for the depreciation of certain leasehold improvements; to the Committee on Finance.

Mr. CONRAD. Mr. President, I rise today to introduce legislation to make permanent the 15-year depreciation period for leasehold improvements that was enacted on a temporary basis as part of the American Jobs Creation Act of 2004. I am pleased to be joined in this effort by my Finance Committee colleague, Senator **KYL**.

Leasehold improvements are the alterations to leased space made by a building owner as part of the lease agreement with a tenant. In actual commercial use, leasehold improvements typically last as long as the lease--an average of less than 10 years.

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However, until last year, the Internal Revenue Code required leasehold improvements to be depreciated over 39 years--the life of the building itself.

Economically, this made no sense. The owner received taxable income over the life of the lease, yet could only recover the costs of the improvements associated with that lease over 39 years. This mismatch of income and expenses was alleviated somewhat by our action last year in reducing the recovery period to 15 years.

A shorter recovery period more closely aligns the expenses incurred to construct improvements with the income they generate over the term of the lease. By reducing the cost recovery period, the expense of making these improvements has fallen more into line with the economics of a commercial lease transaction. One of the most important goals of this change is to encourage building owners to adapt their buildings to fit the needs of today's business tenant.

It is good for the economy to keep existing buildings commercially viable. When older buildings can serve tenants who need modern, efficient commercial space, there is less pressure for developing greenfields in outlying areas. Americans are concerned about preserving open space, natural resources, and a sense of neighborhood.

Unfortunately, the recovery period reduction enacted last year is effective only through the end of 2005. If Congress fails to act before the end of this year, the recovery period for leasehold improvements placed in service beginning in 2006 would again be 39 years.

I urge all Senators to join us in supporting this legislation to provide rational depreciation treatment for leasehold improvements for the long term.

I ask unanimous consent that the text of the bill be printed in the **RECORD**.

There being no objection, the bill was ordered to be printed in the **RECORD**, as follows:

S. 621