

114TH CONGRESS  
2D SESSION

# H. R. 4377

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

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## IN THE HOUSE OF REPRESENTATIVES

JANUARY 13, 2016

Mr. NUNES (for himself, Mr. TIBERI, Mr. BOUSTANY, Mr. MARCHANT, Mr. HOLDING, Mr. PITTENGER, Mr. PALMER, Mr. RUSSELL, Mr. SIMPSON, Mr. FRANKS of Arizona, Mr. STEWART, Mr. CALVERT, Mr. KNIGHT, Mrs. MIMI WALTERS of California, Mr. VALADAO, Mr. ISSA, Mr. AMODEI, Mr. YOHO, Mr. HARDY, Mr. COLE, Mr. POMPEO, Mr. ROE of Tennessee, Mr. FLEISCHMANN, Mr. EMMER of Minnesota, Mr. LONG, Mr. BRAT, and Mr. ROUZER) introduced the following bill; which was referred to the Committee on Ways and Means

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## 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-

1 ment or repeal is expressed in terms of an amendment  
 2 to, or repeal of, a section or other provision, the reference  
 3 shall be considered to be made to a section or other provi-  
 4 sion of the Internal Revenue Code of 1986.

5 (c) TABLE OF CONTENTS.—The table of contents is  
 6 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.

7 **SEC. 2. CONGRESSIONAL FINDINGS.**

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

11 (1) is rife with outdated asset classifications,  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

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

16 (3) reduces savings and investment in the  
 17 United States by increasing the rate of return that  
 18 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.—Para-  
25 graph (1) of section 1(h) is amended—

1 (A) in subparagraph (A)—

2 (i) by striking “the net capital gain”  
3 in clause (i) and inserting “the sum of the  
4 net capital gain and the net business in-  
5 come”; and

6 (ii) by striking “the adjusted net cap-  
7 ital gain” in clause (ii)(II) and inserting  
8 “the sum of the adjusted net capital gain  
9 and the net business income”; and

10 (B) in subparagraph (E)(i) by striking  
11 “unrecaptured section 1250 gain” and inserting  
12 “25-percent rate gain”.

13 (2) 25-PERCENT RATE GAIN.—Subsection (h) of  
14 section 1 is amended by adding at the end the fol-  
15 lowing:

16 “(12) 25-PERCENT RATE GAIN.—For purposes  
17 of this subsection—

18 “(A) unrecaptured section 1250 gain, plus

19 “(B) net business income.”.

20 (b) CORPORATE INCOME TAX RATE REDUCTION;  
21 TAX IMPOSED ONLY ON CORPORATION’S NET BUSINESS  
22 INCOME.—

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

1 **“SEC. 11. TAX IMPOSED.**

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

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

7 “(1) 15 percent of so much of the net business  
8 income as does not exceed \$50,000, and

9 “(2) 25 percent of so much of the net business  
10 income as exceeds \$50,000.

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

16 (2) CONFORMING AMENDMENT.—Paragraphs  
17 (1) and (2) of section 1445(e) are each amended by  
18 striking “35 percent” and inserting “25 percent”.

19 (c) EFFECTIVE DATE.—The amendments made by  
20 this section shall apply to taxable years beginning on or  
21 after January 1, 2015.

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

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

25 **“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) PASS-THRU WAGES MUST BE REASON-  
22 ABLE.—For purposes of paragraph (2)(A), amounts  
23 payable as wages, salaries or other cash payable for  
24 services by a S corporation, partnership, or other  
25 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 ceipts 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, in-  
18 vestment banks, securities brokers, and mutual  
19 funds. Such term does not include credit unions.

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 **DEDUCED 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           gnated 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 173 (relating to circulation expendi-  
12 tures).

13 (5) Section 174 (relating to research and exper-  
14 imental expenditures).

15 (6) Section 175 (relating to soil and water con-  
16 servation expenditures; endangered species recovery  
17 expenditures).

18 (7) Section 176 (relating to payments with re-  
19 spect to employees of certain foreign corporations).

20 (8) Section 178 (relating to amortization of cost  
21 of acquiring a lease).

22 (9) Section 179 (relating to election to expense  
23 certain depreciable business assets).

24 (10) Section 179A (relating to deduction for  
25 clean-fuel vehicles and certain refueling property).

1           (11) Section 179B (relating to deduction for  
2 capital costs incurred in complying with Environ-  
3 mental Protection Agency sulfur regulations).

4           (12) Section 179C (relating to election to ex-  
5 pense certain refineries).

6           (13) Section 179D (relating to energy efficient  
7 commercial buildings deduction).

8           (14) Section 179E (relating to election to ex-  
9 pense advanced mine safety equipment).

10          (15) Section 180 (relating to expenditures by  
11 farmers for fertilizer, etc.).

12          (16) Section 181 (relating to treatment of cer-  
13 tain qualified film and television productions).

14          (17) Section 190 (relating to expenditures to  
15 remove architectural and transportation barriers to  
16 the handicapped and elderly).

17          (18) Section 192 (relating to contributions to  
18 black lung benefit trust).

19          (19) Section 193 (relating to tertiary  
20 injectants).

21          (20) Section 194 (relating to treatment of re-  
22 forestation expenditures).

23          (21) Section 195 (relating to start-up expendi-  
24 tures).



1           (22) Section 196 (relating to deduction for cer-  
2           tain unused business credits).

3           (23) Section 197 (relating to amortization of  
4           goodwill and certain other intangibles).

5           (24) Section 198 (relating to expensing of envi-  
6           ronmental remediation costs).

7           (25) Section 198A (relating to expensing of  
8           qualified disaster expenses).

9           (26) Section 199 (relating to income attrib-  
10          utable to domestic production activities).

11          (27) Section 263 (relating to capital expendi-  
12          tures).

13          (28) Section 263A (relating to capitalization  
14          and inclusion in inventory costs of certain expenses).

15          (29) Section 471 (relating to general rule for  
16          inventories).

17          (30) Section 472 (relating to last-in, first-out  
18          inventories).

19          (31) Section 473 (relating to qualified liquida-  
20          tions of LIFO inventories).

21          (32) Section 474 (relating to simplified dollar-  
22          value LIFO method for certain small businesses).

23          (33) Section 611 (relating to allowance of de-  
24          duction for depletion).

1           (34) Section 612 (relating to basis for cost de-  
2           pletion).

3           (35) Section 613 (relating to percentage deple-  
4           tion).

5           (36) Section 613A (relating to limitations on  
6           percentage depletion in case of oil and gas wells).

7           (37) Section 614 (relating to definition of prop-  
8           erty).

9           (38) Section 616 (relating to development ex-  
10          penditures).

11          (39) Section 617 (relating to deduction and re-  
12          capture of certain mining exploration expenditures).

13          (b) SPECIAL DEDUCTIONS FOR CORPORATIONS.—  
14          The following sections of the Internal Revenue Code of  
15          1986 are hereby repealed:

16           (1) Section 241 (relating to allowance of special  
17           deductions).

18           (2) Section 243 (relating to dividends received  
19           by corporations).

20           (3) Section 244 (relating to dividends received  
21           on certain preferred stock).

22           (4) Section 245 (relating to dividends received  
23           from certain foreign corporations).

24           (5) Section 246 (relating to rules applying to  
25           deductions for dividends received).

1           (6) Section 246A (relating to dividends received  
2 deduction reduced where portfolio stock is debt fi-  
3 nanced).

4           (7) Section 247 (relating to dividends paid on  
5 certain preferred stock of public utilities).

6           (8) Section 248 (relating to organizational ex-  
7 penditures).

8           (9) Section 249 (relating to limitation on de-  
9 duction of bond premium on repurchase).

10          (c) RECOGNITION OF REVENUE AND TIMING OF DE-  
11 DUCTION PROVISIONS.—The following provisions of the  
12 Internal Revenue Code of 1986 are hereby repealed:

13           (1) Part X of subchapter B of chapter 1 of the  
14 Internal Revenue Code of 1986 (relating to terminal  
15 railroad corporations and their shareholders).

16           (2) Section 456 (relating to prepaid dues in-  
17 come of certain membership organizations).

18           (3) Section 458 (relating to magazines, paper-  
19 backs, and records returned after the close of the  
20 taxable year).

21           (4) Section 460 (relating to special rules for  
22 long-term contracts).

23           (5) Section 467 (relating to certain payments  
24 for the use of property or services).

1           (6) Section 468 (relating to special rules for  
2 mining and solid waste reclamation and closing  
3 costs).

4           (d) INTERNATIONAL PROVISIONS.—The following  
5 provisions of the Internal Revenue Code of 1986 are here-  
6 by repealed:

7           (1) Section 902 (relating to deemed paid credit  
8 where domestic corporation owns 10 percent or more  
9 of voting stock of foreign corporation).

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

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

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

17          (5) Part IV of part III of subchapter N of  
18 chapter 1 (relating to domestic international sales  
19 corporations).

20          (e) EFFECTIVE DATE.—

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

1           (2) SUBSECTION (b).—The amendments made  
2           by subsection (b) shall apply with respect to divi-  
3           dends received or accrued after December 31, 2014,  
4           in taxable years ending after such date.

5           (3) SUBSECTIONS (c) AND (d).—The amend-  
6           ments made by subsections (c) and (d) shall apply  
7           to taxable years beginning on or after January 1,  
8           2015.

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

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

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

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

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

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

1           “(B) LIMITATION.—A net operating loss  
2           may not be carried back to any taxable year  
3           ending before January 1, 2015, except that a  
4           loss arising in a taxable year beginning in cal-  
5           endar year 2015 or calendar year 2016 may be  
6           carried back to the two preceding taxable  
7           years.”.

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

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

18          (c) CONFORMING AMENDMENTS.—

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

22           (2) Section 172 is amended by striking sub-  
23          sections (f), (i), and (j) and redesignating sub-  
24          sections (g), (h), and (k) as subsections (f), (g), and  
25          (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 of part IV of  
9           subchapter A of chapter 1 are hereby repealed.

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

18          (c) EFFECTIVE DATE.—The repeals made by this  
19          section shall apply with respect to amounts paid or in-  
20          curred, and property placed in service, in taxable years  
21          beginning after December 31, 2014.



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.

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