

S.L.C.  
*Chris Hatch*  
7-23  
3:10p

AMENDMENT NO. \_\_\_\_\_ Calendar No. \_\_\_\_\_

Purpose: To amend the Internal Revenue Code of 1986 to modify and make permanent certain expiring tax provisions.

IN	<b>AMENDMENT N<sup>o</sup></b>	<b>3612</b>	2d Sess.
	By <u>Hatch</u>		
	To: _____		back
	<u>5.2569</u>		
R	<u>30</u>		and
	Page(s)		
	<small>GPO: 2012 77-320 (mac)</small>		

AMENDMENT intended to be proposed by Mr. HATCH

Viz:

- 1 At the appropriate place, add the following new title:
- 2 **TITLE II—CERTAIN PROVISIONS**
- 3 **MADE PERMANENT**
- 4 **SEC. 201. PERMANENT EXTENSION AND MODIFICATION OF**
- 5 **INCREASED EXPENSING LIMITATIONS AND**
- 6 **TREATMENT OF CERTAIN REAL PROPERTY**
- 7 **AS SECTION 179 PROPERTY.**
- 8 (a) IN GENERAL.—
- 9 (1) DOLLAR LIMITATION.—Paragraph (1) of
- 10 section 179(b) of the Internal Revenue Code of 1986
- 11 is amended by striking “shall not exceed—” and all

1 that follows and inserting “shall not exceed  
2 \$500,000.”.

3 (2) REDUCTION IN LIMITATION.—Paragraph  
4 (2) of section 179(b) of such Code is amended by  
5 striking “exceeds—” and all that follows and insert-  
6 ing “exceeds \$2,000,000.”.

7 (b) COMPUTER SOFTWARE.—Clause (ii) of section  
8 179(d)(1)(A) of the Internal Revenue Code of 1986 is  
9 amended by striking “, to which section 167 applies, and  
10 which is placed in service in a taxable year beginning after  
11 2002 and before 2014” and inserting “and to which sec-  
12 tion 167 applies”.

13 (c) ELECTION.—Paragraph (2) of section 179(c) of  
14 such Code is amended—

15 (1) by striking “may not be revoked” and all  
16 that follows through “and before 2014”, and

17 (2) by striking “IRREVOCABLE” in the heading  
18 thereof.

19 (d) AIR CONDITIONING AND HEATING UNITS.—The  
20 last sentence of section 179(d)(1) of such Code is amended  
21 by striking “and shall not include air conditioning or heat-  
22 ing units”.

23 (e) QUALIFIED REAL PROPERTY.—Subsection (f) of  
24 section 179 of such Code is amended—

1           (1) by striking “beginning in 2010, 2011, 2012,  
2           or 2013” in paragraph (1), and

3           (2) by striking paragraphs (3) and (4).

4           (f) ADJUSTMENT FOR INFLATION.—Subsection (b) of  
5 section 179 of such Code is amended by adding at the  
6 end the following new paragraph:

7           “(6) INFLATION ADJUSTMENT.—

8           “(A) IN GENERAL.—In the case of any  
9 taxable year beginning after 2013, the dollar  
10 amounts in paragraphs (1) and (2) shall each  
11 be increased by an amount equal to—

12                   “(i) such dollar amount, multiplied by

13                   “(ii) the cost-of-living adjustment de-  
14 termined under section 1(f)(3) for the cal-  
15 endar year in which the taxable year be-  
16 gins, by substituting ‘calendar year 2012’  
17 for ‘calendar year 1992’ in subparagraph  
18 (B) thereof.

19           “(B) ROUNDING.—

20                   “(i) DOLLAR LIMITATION.—If the  
21 amount in paragraph (1) as increased  
22 under subparagraph (A) of this paragraph  
23 is not a multiple of \$1,000, such amount  
24 shall be rounded to the nearest multiple of  
25 \$1,000.

1                   “(ii) PHASEOUT AMOUNT.—If the  
2                   amount in paragraph (2) as increased  
3                   under subparagraph (A) of this paragraph  
4                   is not a multiple of \$10,000, such amount  
5                   shall be rounded to the nearest multiple of  
6                   \$10,000.”.

7           (g) EFFECTIVE DATE.—The amendments made by  
8 this section shall apply to taxable years beginning after  
9 December 31, 2013.

10 **SEC. 202. BONUS DEPRECIATION MODIFIED AND MADE**  
11 **PERMANENT.**

12           (a) MADE PERMANENT; INCLUSION OF QUALIFIED  
13 RETAIL IMPROVEMENT PROPERTY.—Section 168(k)(2) of  
14 the Internal Revenue Code of 1986 is amended to read  
15 as follows:

16                   “(2) QUALIFIED PROPERTY.—For purposes of  
17 this subsection—

18                           “(A) IN GENERAL.—The term ‘qualified  
19 property’ means property—

20                                   “(i)(I) to which this section applies  
21 which has a recovery period of 20 years or  
22 less,

23   “(II) which is computer software (as  
24 defined in section 167(f)(1)(B)) for which

1 a deduction is allowable under section  
2 167(a) without regard to this subsection,

3 “(III) which is water utility property,

4 “(IV) which is qualified leasehold im-  
5 provement property, or

6 “(V) which is qualified retail improve-  
7 ment property, and

8 “(ii) the original use of which com-  
9 mences with the taxpayer.

10 “(B) EXCEPTION FOR ALTERNATIVE DE-  
11 PRECIATION PROPERTY.—The term ‘qualified  
12 property’ shall not include any property to  
13 which the alternative depreciation system under  
14 subsection (g) applies, determined—

15 “(i) without regard to paragraph (7)  
16 of subsection (g) (relating to election to  
17 have system apply), and

18 “(ii) after application of section  
19 280F(b) (relating to listed property with  
20 limited business use).

21 “(C) SPECIAL RULES.—

22 “(i) SALE-LEASEBACKS.—For pur-  
23 poses of clause (ii) and subparagraph  
24 (A)(ii), if property is—



1 the time the last unit is placed in  
2 service does not exceed 12 months),  
3 and

4 “(III) the user of such property  
5 after the last sale during such 3-  
6 month period remains the same as  
7 when such property was originally  
8 placed in service,

9 such property shall be treated as originally  
10 placed in service not earlier than the date  
11 of such last sale.

12 “(D) COORDINATION WITH SECTION  
13 280F.—For purposes of section 280F—

14 “(i) AUTOMOBILES.—In the case of a  
15 passenger automobile (as defined in section  
16 280F(d)(5)) which is qualified property,  
17 the Secretary shall increase the limitation  
18 under section 280F(a)(1)(A)(i) by \$8,000.

19 “(ii) LISTED PROPERTY.—The deduc-  
20 tion allowable under paragraph (1) shall be  
21 taken into account in computing any re-  
22 capture amount under section 280F(b)(2).

23 “(iii) INFLATION ADJUSTMENT.—In  
24 the case of any taxable year beginning in  
25 a calendar year after 2014, the \$8,000

1 amount in clause (i) shall be increased by  
2 an amount equal to—

3 “(I) such dollar amount, multi-  
4 plied by

5 “(II) the automobile price infla-  
6 tion adjustment determined under sec-  
7 tion 280F(d)(7)(B)(i) for the calendar  
8 year in which such taxable year begins  
9 by substituting ‘2013’ for ‘1987’ in  
10 subclause (II) thereof.

11 If any increase under the preceding sen-  
12 tence is not a multiple of \$100, such in-  
13 crease shall be rounded to the nearest mul-  
14 tiple of \$100.

15 “(E) DEDUCTION ALLOWED IN COMPUTING  
16 MINIMUM TAX.—For purposes of determining  
17 alternative minimum taxable income under sec-  
18 tion 55, the deduction under section 167 for  
19 qualified property shall be determined without  
20 regard to any adjustment under section 56.”.

21 (b) EXPANSION OF ELECTION TO ACCELERATE AMT  
22 CREDITS IN LIEU OF BONUS DEPRECIATION.—Section  
23 168(k)(4) of such Code is amended to read as follows:

24 “(4) ELECTION TO ACCELERATE AMT CREDITS  
25 IN LIEU OF BONUS DEPRECIATION.—



1 during such taxable year if paragraph  
2 (1) applied to all such property, over  
3 “(II) the aggregate amount of  
4 depreciation which would be allowed  
5 under this section for qualified prop-  
6 erty placed in service by the taxpayer  
7 during such taxable year if paragraph  
8 (1) did not apply to any such prop-  
9 erty.

10 The aggregate amounts determined under  
11 subclauses (I) and (II) shall be determined  
12 without regard to any election made under  
13 subsection (b)(2)(D), (b)(3)(D), or (g)(7)  
14 and without regard to subparagraph  
15 (A)(ii).

16 “(ii) LIMITATION.—The bonus depre-  
17 ciation amount for any taxable year shall  
18 not exceed the lesser of—

19 “(I) 50 percent of the minimum  
20 tax credit under section 53(b) for the  
21 first taxable year ending after Decem-  
22 ber 31, 2013, or

23 “(II) the minimum tax credit  
24 under section 53(b) for such taxable  
25 year determined by taking into ac-

1 count only the adjusted net minimum  
2 tax for taxable years ending before  
3 January 1, 2014 (determined by  
4 treating credits as allowed on a first-  
5 in, first-out basis).

6 “(iii) AGGREGATION RULE.—All cor-  
7 porations which are treated as a single em-  
8 ployer under section 52(a) shall be treat-  
9 ed—

10 “(I) as 1 taxpayer for purposes  
11 of this paragraph, and

12 “(II) as having elected the appli-  
13 cation of this paragraph if any such  
14 corporation so elects.

15 “(C) CREDIT REFUNDABLE.—For pur-  
16 poses of section 6401(b), the aggregate increase  
17 in the credits allowable under part IV of sub-  
18 chapter A for any taxable year resulting from  
19 the application of this paragraph shall be treat-  
20 ed as allowed under subpart C of such part  
21 (and not any other subpart).

22 “(D) OTHER RULES.—

23 “(i) ELECTION.—Any election under  
24 this paragraph may be revoked only with  
25 the consent of the Secretary.



1           distributive share of the amounts deter-  
2           mined by the partnership under subclauses  
3           (I) and (II) of such clause for the taxable  
4           year of the partnership ending with or  
5           within the taxable year of the partner.”.

6           (c) SPECIAL RULES FOR TREES AND VINES BEARING  
7 FRUITS AND NUTS.—Section 168(k) of such Code is  
8 amended—

9           (1) by striking paragraph (5), and

10          (2) by inserting after paragraph (4) the fol-  
11          lowing new paragraph:

12           “(5) SPECIAL RULES FOR TREES AND VINES  
13          BEARING FRUITS AND NUTS.—

14           “(A) IN GENERAL.—In the case of any  
15          tree or vine bearing fruits or nuts which is  
16          planted, or is grafted to a plant that has al-  
17          ready been planted, by the taxpayer in the ordi-  
18          nary course of the taxpayer’s farming business  
19          (as defined in section 263A(e)(4))—

20           “(i) a depreciation deduction equal to  
21          50 percent of the adjusted basis of such  
22          tree or vine shall be allowed under section  
23          167(a) for the taxable year in which such  
24          tree or vine is so planted or grafted, and

1                   “(ii) the adjusted basis of such tree or  
2                   vine shall be reduced by the amount of  
3                   such deduction.

4                   “(B) ELECTION OUT.—If a taxpayer  
5                   makes an election under this subparagraph for  
6                   any taxable year, this paragraph shall not apply  
7                   to any tree or vine planted or grafted during  
8                   such taxable year. An election under this sub-  
9                   paragraph may be revoked only with the con-  
10                  sent of the Secretary.

11                  “(C) ADDITIONAL DEPRECIATION MAY BE  
12                  CLAIMED ONLY ONCE.—If this paragraph ap-  
13                  plies to any tree or vine, such tree or vine shall  
14                  not be treated as qualified property in the tax-  
15                  able year in which placed in service.

16                  “(D) COORDINATION WITH ELECTION TO  
17                  ACCELERATE AMT CREDITS.—If a corporation  
18                  makes an election under paragraph (4) for any  
19                  taxable year, the amount under paragraph  
20                  (4)(B)(i)(I) for such taxable year shall be in-  
21                  creased by the amount determined under sub-  
22                  paragraph (A)(i) for such taxable year.

23                  “(E) DEDUCTION ALLOWED IN COMPUTING  
24                  MINIMUM TAX.—Rules similar to the rules of

1 paragraph (2)(E) shall apply for purposes of  
2 this paragraph.”.

3 (d) CONFORMING AMENDMENTS.—

4 (1) Section 168(e)(8) of such Code is amended  
5 by striking subparagraph (D).

6 (2) Section 168(k) of such Code is amended by  
7 adding at the end the following new paragraph:

8 “(6) ELECTION OUT.—If a taxpayer makes an  
9 election under this paragraph with respect to any  
10 class of property for any taxable year, this sub-  
11 section shall not apply to all property in such class  
12 placed in service (or, in the case of paragraph (5),  
13 planted or grafted) during such taxable year. An  
14 election under this paragraph may be revoked only  
15 with the consent of the Secretary.”.

16 (3) Section 168(l)(5) of such Code is amended  
17 by striking “section 168(k)(2)(G)” and inserting  
18 “section 168(k)(2)(E)”.

19 (4) Section 263A(c) of such Code is amended  
20 by adding at the end the following new paragraph:

21 “(7) COORDINATION WITH SECTION  
22 168(k)(5).—This section shall not apply to any  
23 amount allowable as a deduction by reason of section  
24 168(k)(5) (relating to special rules for trees and  
25 vines bearing fruits and nuts).”.

1           (5) Section 460(c)(6)(B) of such Code is  
2 amended by striking “which—” and all that follows  
3 and inserting “which has a recovery period of 7  
4 years or less.”.

5           (6) Section 168(k) of such Code is amended by  
6 striking “ACQUIRED AFTER DECEMBER 31, 2007,  
7 AND BEFORE JANUARY 1, 2014” in the heading  
8 thereof.

9           (e) EFFECTIVE DATES.—

10           (1) IN GENERAL.—Except as otherwise pro-  
11 vided in this subsection, the amendments made by  
12 this section shall apply to property placed in service  
13 after December 31, 2013.

14           (2) EXPANSION OF ELECTION TO ACCELERATE  
15 AMT CREDITS IN LIEU OF BONUS DEPRECIATION.—

16           (A) IN GENERAL.—The amendment made  
17 by subsection (b) (other than so much of such  
18 amendment as relates to section  
19 168(k)(4)(D)(iii) of such Code, as added by  
20 such amendment) shall apply to taxable years  
21 ending after December 31, 2013.

22           (B) TRANSITIONAL RULE.—In the case of  
23 a taxable year beginning before January 1,  
24 2014, and ending after December 31, 2013, the  
25 bonus depreciation amount determined under

1 section 168(k)(4) of such Code for such year  
2 shall be the sum of—

3 (i) such amount determined without  
4 regard to the amendments made by this  
5 section and—

6 (I) by taking into account only  
7 property placed in service before Jan-  
8 uary 1, 2014, and

9 (II) by multiplying the limitation  
10 under section 168(k)(4)(C)(ii) of such  
11 Code (determined without regard to  
12 the amendments made by this section)  
13 by a fraction the numerator of which  
14 is the number of days in the taxable  
15 year before January 1, 2014, and the  
16 denominator of which is the number  
17 of days in the taxable year, and

18 (ii) such amount determined after  
19 taking into account the amendments made  
20 by this section and—

21 (I) by taking into account only  
22 property placed in service after De-  
23 cember 31, 2013, and

24 (II) by multiplying the limitation  
25 under section 168(k)(4)(B)(ii) of such

1 Code (as amended by this section) by  
2 a fraction the numerator of which is  
3 the number of days in the taxable  
4 year after December 31, 2013, and  
5 the denominator of which is the num-  
6 ber of days in the taxable year.

7 (3) SPECIAL RULES FOR CERTAIN TREES AND  
8 VINES.—The amendment made by subsection (c)(2)  
9 shall apply to trees and vines planted or grafted  
10 after December 31, 2013.

11 **SEC. 203. PERMANENT EXTENSION AND MODIFICATION OF**  
12 **RESEARCH CREDIT.**

13 (a) SIMPLIFIED CREDIT FOR QUALIFIED RESEARCH  
14 EXPENSES.—Subsection (a) of section 41 of the Internal  
15 Revenue Code of 1986 is amended to read as follows:

16 “(a) GENERAL RULE.—For purposes of section 38,  
17 the research credit determined under this section for the  
18 taxable year shall be an amount equal to 20 percent of  
19 so much of the qualified research expenses for the taxable  
20 year as exceeds 50 percent of the average qualified re-  
21 search expenses for the 3 taxable years preceding the tax-  
22 able year for which the credit is being determined.”.

23 (b) SPECIAL RULES AND TERMINATION OF BASE  
24 AMOUNT CALCULATION.—

1           (1) IN GENERAL.—Subsection (c) of section 41  
2 of such Code is amended to read as follows:

3           “(c) SPECIAL RULE IN CASE OF NO QUALIFIED RE-  
4 SEARCH EXPENSES IN ANY OF 3 PRECEDING TAXABLE  
5 YEARS.—

6           “(1) TAXPAYERS TO WHICH SUBSECTION AP-  
7 PLIES.—The credit under this section shall be deter-  
8 mined under this subsection, and not under sub-  
9 section (a), if, in any one of the 3 taxable years pre-  
10 ceeding the taxable year for which the credit is being  
11 determined, the taxpayer has no qualified research  
12 expenses.

13           “(2) CREDIT RATE.—The credit determined  
14 under this subsection shall be equal to 10 percent of  
15 the qualified research expenses for the taxable  
16 year.”.

17           (2) CONSISTENT TREATMENT OF EXPENSES.—  
18 Subsection (b) of section 41 of such Code is amend-  
19 ed by adding at the end the following new para-  
20 graph:

21           “(5) CONSISTENT TREATMENT OF EXPENSES  
22 REQUIRED.—

23           “(A) IN GENERAL.—Notwithstanding  
24 whether the period for filing a claim for credit  
25 or refund has expired for any taxable year in

1 the 3-taxable-year period taken into account  
2 under subsection (a), the qualified research ex-  
3 penses taken into account for such year shall be  
4 determined on a basis consistent with the deter-  
5 mination of qualified research expenses for the  
6 credit year.

7 “(B) PREVENTION OF DISTORTIONS.—The  
8 Secretary may prescribe regulations to prevent  
9 distortions in calculating a taxpayer’s qualified  
10 research expenses caused by a change in ac-  
11 counting methods used by such taxpayer be-  
12 tween the credit year and a year in such 3-tax-  
13 able-year period.”.

14 (c) INCLUSION OF QUALIFIED RESEARCH EXPENSES  
15 OF AN ACQUIRED PERSON.—

16 (1) PARTIAL INCLUSION OF PRE-ACQUISITION  
17 QUALIFIED RESEARCH EXPENSES.—Subparagraph  
18 (A) of section 41(f)(3) of such Code is amended to  
19 read as follows:

20 “(A) ACQUISITIONS.—

21 “(i) IN GENERAL.—If a person ac-  
22 quires the major portion of a trade or busi-  
23 ness of another person (hereinafter in this  
24 paragraph referred to as the ‘predecessor’)  
25 or the major portion of a separate unit of

1 a trade or business of a predecessor, then  
2 the amount of qualified research expenses  
3 paid or incurred by the acquiring person  
4 during the 3 taxable years preceding the  
5 taxable year in which the credit under this  
6 section is determined shall be increased  
7 by—

8 “(I) for purposes of applying this  
9 section for the taxable year in which  
10 such acquisition is made, the amount  
11 determined under clause (ii), and

12 “(II) for purposes of applying  
13 this section for any taxable year after  
14 the taxable year in which such acqui-  
15 sition is made, so much of the quali-  
16 fied research expenses paid or in-  
17 curred by the predecessor with respect  
18 to the acquired trade or business dur-  
19 ing the portion of the measurement  
20 period that is part of the 3-taxable-  
21 year period preceding the taxable year  
22 for which the credit is determined as  
23 is attributable to the portion of such  
24 trade or business or separate unit ac-  
25 quired by such person.

1                   “(ii) AMOUNT DETERMINED.—The  
2 amount determined under this clause is the  
3 amount equal to the product of—

4                   “(I) so much of the qualified re-  
5 search expenses paid or incurred by  
6 the predecessor with respect to the ac-  
7 quired trade or business during the 3  
8 taxable years before the taxable year  
9 in which the acquisition is made as is  
10 attributable to the portion of such  
11 trade or business or separate unit ac-  
12 quired by the acquiring person, and

13                   “(II) the number of months in  
14 the period beginning on the date of  
15 the acquisition and ending on the last  
16 day of the taxable year in which the  
17 acquisition is made,

18 divided by 12.

19                   “(iii) SPECIAL RULES FOR COORDI-  
20 NATING TAXABLE YEARS.—In the case of  
21 an acquiring person and a predecessor  
22 whose taxable years do not begin on the  
23 same date—

24                   “(I) each reference to a taxable  
25 year in clauses (i) and (ii) shall refer

1 to the appropriate taxable year of the  
2 acquiring person,

3 “(II) the qualified research ex-  
4 penses paid or incurred by the prede-  
5 cessor during each taxable year of the  
6 predecessor any portion of which is  
7 part of the measurement period shall  
8 be allocated equally among the  
9 months of such taxable year, and

10 “(III) the amount of such quali-  
11 fied research expenses taken into ac-  
12 count under clauses (i) and (ii) with  
13 respect to a taxable year of the ac-  
14 quiring person shall be equal to the  
15 total of the expenses attributable  
16 under subclause (II) to the months oc-  
17 ccurring during such taxable year.

18 “(iv) MEASUREMENT PERIOD.—For  
19 purposes of this subparagraph, the term  
20 ‘measurement period’ means the taxable  
21 year of the acquiring person in which the  
22 acquisition is made and the 3 taxable years  
23 of the acquiring person preceding such tax-  
24 able year.”.

1           (2) EXPENSES OF A PREDECESSOR.—Subpara-  
2 graph (B) of section 41(f)(3) of such Code is  
3 amended to read as follows:

4           “(B) DISPOSITIONS.—If the predecessor  
5 furnished to the acquiring person such informa-  
6 tion as is necessary for the application of sub-  
7 paragraph (A), then, for purposes of applying  
8 this section for any taxable year ending after  
9 such disposition, the amount of qualified re-  
10 search expenses paid or incurred by the prede-  
11 cessor during the 3 taxable years preceding  
12 such taxable year shall be reduced—

13           “(i) in the case of the taxable year in  
14 which such disposition is made, by an  
15 amount equal to the product of—

16           “(I) the amount of qualified re-  
17 search expenses paid or incurred dur-  
18 ing such 3 taxable years with respect  
19 to the acquired business, and

20           “(II) the number of days in the  
21 period beginning on the date of acqui-  
22 sition (as determined for purposes of  
23 subparagraph (A)(ii)(II)) and ending  
24 on the last day of the taxable year of

1                   the predecessor in which the disposi-  
2                   tion is made,  
3                   divided by the number of days in the tax-  
4                   able year of the predecessor, and  
5                   “(ii) in the case of any taxable year  
6                   ending after the taxable year in which such  
7                   disposition is made, the amount described  
8                   in clause (i)(I).”.

9           (d) AGGREGATION OF EXPENDITURES.—Paragraph  
10 (1) of section 41(f) of such Code, as amended by the  
11 American Taxpayer Relief Act of 2012, is amended—

12           (1) by striking “of the qualified research ex-  
13           penses, basic research payments, and amounts paid  
14           or incurred to energy research consortiums,” in sub-  
15           paragraph (A)(ii) and inserting “qualified research  
16           expenses”, and

17           (2) by striking “of the qualified research ex-  
18           penses, basic research payments, and amounts paid  
19           or incurred to energy research consortiums,” in sub-  
20           paragraph (B)(ii) and inserting “qualified research  
21           expenses”.

22           (e) PERMANENT EXTENSION.—

23           (1) Section 41 of such Code is amended by  
24           striking subsection (h).

1           (2) Paragraph (1) of section 45C(b) of such  
2 Code is amended by striking subparagraph (D).

3 (f) CONFORMING AMENDMENTS.—

4           (1) TERMINATION OF BASIC RESEARCH PAY-  
5 MENT CALCULATION.—Section 41 of such Code is  
6 amended—

7           (A) by striking subsection (e),

8           (B) by redesignating subsection (g) as sub-  
9 section (e), and

10           (C) by relocating subsection (e), as so re-  
11 designated, immediately after subsection (d).

12 (2) SPECIAL RULES.—

13           (A) Paragraph (4) of section 41(f) of such  
14 Code is amended by striking “and gross re-  
15 cepts”.

16           (B) Subsection (f) of section 41 of such  
17 Code is amended by striking paragraph (6).

18 (3) CROSS-REFERENCES.—

19           (A) Paragraph (2) of section 45C(e) of  
20 such Code is amended by striking “base period  
21 research expenses” and inserting “average  
22 qualified research expenses”.

23           (B) Subparagraph (A) of section 54(l)(3)  
24 of such Code is amended by striking “section  
25 41(g)” and inserting “section 41(e)”.

1 (C) Clause (i) of section 170(e)(4)(B) of  
2 such Code is amended to read as follows:

3 “(i) the contribution is to a qualified  
4 organization,”.

5 (D) Paragraph (4) of section 170(e) of  
6 such Code is amended by adding at the end the  
7 following new subparagraph:

8 “(E) QUALIFIED ORGANIZATION.—For  
9 purposes of this paragraph, the term ‘qualified  
10 organization’ means—

11 “(i) any educational organization  
12 which—

13 “(I) is an institution of higher  
14 education (within the meaning of sec-  
15 tion 3304(f)), and

16 “(II) is described in subsection  
17 (b)(1)(A)(ii), or

18 “(ii) any organization not described in  
19 clause (i) which—

20 “(I) is described in section  
21 501(c)(3) and is exempt from tax  
22 under section 501(a),

23 “(II) is organized and operated  
24 primarily to conduct scientific re-  
25 search, and

1                   “(III) is not a private founda-  
2                   tion.”.

3                   (E) Section 280C of such Code is amend-  
4                   ed—

5                   (i) by striking “or basic research ex-  
6                   penses (as defined in section 41(e)(2))” in  
7                   subsection (c)(1),

8                   (ii) by striking “section 41(a)(1)” in  
9                   subsection (c)(2)(A) and inserting “section  
10                  41(a)”, and

11                  (iii) by striking “or basic research ex-  
12                  penses” in subsection (c)(2)(B).

13                  (F) Clause (i) of section 1400N(l)(7)(B) of  
14                  such Code is amended by striking “section  
15                  41(g)” and inserting “section 41(e)”.

16                  (g) TECHNICAL CORRECTIONS.—Section 409 of such  
17                  Code is amended—

18                  (1) by inserting “, as in effect before the enact-  
19                  ment of the Tax Reform Act of 1984” after “sec-  
20                  tion 41(c)(1)(B)” in subsection (b)(1)(A),

21                  (2) by inserting “, as in effect before the enact-  
22                  ment of the Tax Reform Act of 1984” after “relat-  
23                  ing to the employee stock ownership credit” in sub-  
24                  section (b)(4),

1 (3) by inserting “(as in effect before the enact-  
2 ment of the Tax Reform Act of 1984)” after “sec-  
3 tion 41(c)(1)(B)” in subsection (i)(1)(A),

4 (4) by inserting “(as in effect before the enact-  
5 ment of the Tax Reform Act of 1984)” after “sec-  
6 tion 41(c)(1)(B)” in subsection (m), and

7 (5) by inserting “(as so in effect)” after “sec-  
8 tion 48(n)(1)” in subsection (m).

9 (h) EFFECTIVE DATES.—

10 (1) IN GENERAL.—Except as provided in para-  
11 graphs (2) and (3), the amendments made by this  
12 section shall apply to credits determined for taxable  
13 years beginning after December 31, 2013.

14 (2) PERMANENT EXTENSION.—The amend-  
15 ments made by subsection (e) shall apply to amounts  
16 paid or incurred after December 31, 2013.

17 (3) TECHNICAL CORRECTIONS.—The amend-  
18 ments made by subsection (g) shall take effect on  
19 the date of the enactment of this Act.

20 **SEC. 204. PERMANENT FULL EXCLUSION APPLICABLE TO**  
21 **QUALIFIED SMALL BUSINESS STOCK.**

22 (a) IN GENERAL.—Paragraph (4) of section 1202(a)  
23 of the Internal Revenue Code of 1986 is amended—

24 (1) by striking “and before January 1, 2014”,  
25 and

1           (2) by striking “CERTAIN PERIODS IN 2010,  
2           2011, 2012, AND 2013” in the heading and inserting  
3           “CERTAIN PERIODS AFTER 2009”.

4           (b) CONFORMING AMENDMENTS.—

5           (1) The heading for section 1202 of such Code  
6           is amended by striking “**PARTIAL**”.

7           (2) The item relating to section 1202 in the  
8           table of sections of such Code for part I of sub-  
9           chapter P of chapter 1 is amended by striking “Par-  
10          tial exclusion” and inserting “Exclusion”.

11          (3) Section 1223(13) of such Code is amended  
12          by striking “1202(a)(2),”.

13          (c) EFFECTIVE DATE.—The amendments made by  
14          this section apply to stock acquired after December 31,  
15          2013.