

Public Law 99-44
99th Congress

An Act

To amend the Internal Revenue Code of 1954 to repeal the contemporaneous recordkeeping requirements added by the Tax Reform Act of 1984, and for other purposes.

May 24, 1985
[H.R. 1869]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

Taxes.

SECTION 1. REPEAL OF CONTEMPORANEOUS RECORDKEEPING REQUIREMENTS, ETC.

(a) CONTEMPORANEOUS RECORDKEEPING REQUIREMENTS.—Subsection (d) of section 274 of the Internal Revenue Code of 1954 (relating to substantiation requirements for certain deductions and credits) is amended by striking out “adequate contemporaneous records” and inserting in lieu thereof “adequate records or by sufficient evidence corroborating the taxpayer’s own statement”, and the Internal Revenue Code of 1954 shall be applied and administered as if the word “contemporaneous” had not been added to such subsection (d).

98 Stat. 718.
26 USC 274.

26 USC 274 note.
26 USC 1 *et seq.*

(b) PROVISIONS RELATING TO RETURN PREPARERS AND NEGLIGENCE PENALTY.—Paragraphs (2) and (3) of section 179(b) of the Tax Reform Act of 1984 are hereby repealed, and the Internal Revenue Code of 1954 shall be applied and administered as if such paragraphs (and the amendments made by such paragraphs) had not been enacted.

98 Stat. 713.
26 USC 6695,
6653.
26 USC 6653
note.
26 USC 274 note.

(c) REPEAL OF REGULATIONS.—Regulations issued before the date of the enactment of this Act to carry out the amendments made by paragraphs (1)(C), (2), and (3) of section 179(b) of the Tax Reform Act of 1984 shall have no force and effect.

SEC. 2. SUBSTANTIATION REQUIREMENTS NOT TO APPLY TO CERTAIN VEHICLES WITH LITTLE PERSONAL USE.

(a) IN GENERAL.—Subsection (d) of section 274 of the Internal Revenue Code of 1954 (relating to substantiation required) is amended by adding at the end thereof the following new sentence: “This subsection shall not apply to any qualified nonpersonal use vehicle (as defined in subsection (i)).”

26 USC 274.

(b) QUALIFIED NONPERSONAL USE VEHICLE DEFINED.—Section 274 of such Code is amended by redesignating subsection (i) as subsection (j) and by inserting after subsection (h) the following new subsection:

“(i) QUALIFIED NONPERSONAL USE VEHICLE.—For purposes of subsection (d), the term ‘qualified nonpersonal use vehicle’ means any vehicle which, by reason of its nature, is not likely to be used more than a de minimis amount for personal purposes.”

SEC. 3. EXEMPTION FROM REQUIRED INCOME TAX WITHHOLDING FOR CERTAIN FRINGE BENEFITS.

Section 3402 of the Internal Revenue Code of 1954 (relating to income tax collected at source) is amended by adding at the end thereof the following new subsection:

26 USC 3402.

“(s) EXEMPTION FROM WITHHOLDING FOR ANY VEHICLE FRINGE BENEFIT.—

“(1) **EMPLOYER ELECTION NOT TO WITHHOLD.**—The employer may elect not to deduct and withhold any tax under this chapter with respect to any vehicle fringe benefit provided to any employee if such employee is notified by the employer of such election (at such time and in such manner as the Secretary shall by regulations prescribe). The preceding sentence shall not apply to any vehicle fringe benefit unless the amount of such benefit is included by the employer on a statement timely furnished under section 6051.

26 USC 6051.

“(2) **EMPLOYER MUST FURNISH W-2.**—Any vehicle fringe benefit shall be treated as wages from which amounts are required to be deducted and withheld under this chapter for purposes of section 6051.

“(3) **VEHICLE FRINGE BENEFIT.**—For purposes of this subsection, the term ‘vehicle fringe benefit’ means any fringe benefit—

“(A) which constitutes wages (as defined in section 3401), and

“(B) which consists of providing a highway motor vehicle for the use of the employee.”

SEC. 4. REDUCTION IN LIMITATIONS ON INVESTMENT TAX CREDIT AND DEPRECIATION FOR LUXURY AUTOMOBILES.

(a) GENERAL RULE.—

98 Stat. 713.
26 USC 280F.

(1) **INVESTMENT TAX CREDIT.**—Paragraph (1) of section 280F(a) of the Internal Revenue Code of 1954 (relating to investment tax credit) is amended by striking out “\$1,000” and inserting in lieu thereof “\$675”.

(2) **DEPRECIATION.**—Paragraph (2) of section 280F(a) of such Code (relating to depreciation) is amended—

(A) by striking out “\$4,000” in subparagraph (A)(i) and inserting in lieu thereof “\$3,200”, and

(B) by striking out “\$6,000” each place it appears in subparagraphs (A)(ii) and (B)(ii) and inserting in lieu thereof “\$4,800”.

(b) 4-YEAR DEFERRAL OF INFLATION ADJUSTMENT.—

(1) **ADJUSTMENT AFTER 1988.**—Subparagraph (A) of section 280F(d)(7) of such Code (relating to automobile price inflation adjustment) is amended by striking out “passenger automobile” and inserting in lieu thereof “passenger automobile placed in service after 1988”.

(2) **1987 BASE PERIOD.**—Subclause (II) of section 280F(d)(7)(B)(i) of such Code is amended by striking out “1983” and inserting in lieu thereof “1987”.

(3) **TECHNICAL AMENDMENT.**—Clause (i) of section 280F(d)(7)(B) of such Code is amended by striking out the last sentence.

SEC. 5. NEW REGULATIONS.

26 USC 274 note.

Not later than October 1, 1985, the Secretary of the Treasury or his delegate shall prescribe regulations to carry out the provisions of this Act which shall fully reflect such provisions.

SEC. 6. EFFECTIVE DATES.

26 USC 274 note.

Ante, p. 77.

(a) **REPEALS.**—The amendment and repeals made by subsections (a) and (b) of section 1 shall take effect as if included in the amendments made by section 179(b) of the Tax Reform Act of 1984.

(b) **RESTORATION OF PRIOR LAW FOR 1985.**—For taxable years beginning in 1985, section 274(d) of the Internal Revenue Code of 1954 shall apply as it read before the amendments made by section 179(b)(1) of the Tax Reform Act of 1984.

26 USC 274 note.
26 USC 274.

(c) **EXCEPTION FROM SUBSTANTIATION REQUIREMENTS FOR QUALIFIED NONPERSONAL USE VEHICLES.**—The amendments made by section 2 shall apply to taxable years beginning after December 31, 1985.

Ante, p. 77.
26 USC 274 note.

(d) **WITHHOLDING AMENDMENT.**—The amendment made by section 3 shall take effect on January 1, 1985.

Effective date.
26 USC 3402
note.

(e) **REDUCTION IN LIMITATIONS ON INVESTMENT TAX CREDIT AND DEPRECIATION.**—

Effective dates.
26 USC 280F
note.

(1) Except as provided in paragraph (2), the amendments made by section 4 shall apply to—

(A) property placed in service after April 2, 1985, in taxable years ending after such date, and

(B) property leased after April 2, 1985, in taxable years ending after such date.

(2) The amendments made by section 4 shall not apply to any property—

(A) acquired by the taxpayer pursuant to a binding contract in effect on April 1, 1985, and at all times thereafter, but only if the property is placed in service before August 1, 1985, or

(B) of which the taxpayer is the lessee, but only if the lease is pursuant to a binding contract in effect on April 1, 1985, and at all times thereafter, and only if the taxpayer first uses such property under the lease before August 1, 1985.

Approved May 24, 1985.

LEGISLATIVE HISTORY—H.R. 1869 (S. 245):

HOUSE REPORTS: No. 99-34 (Comm. on Ways and Means) and No. 99-67 (Comm. of Conference).

SENATE REPORT No. 99-23 accompanying S. 245 (Comm. on Finance).

CONGRESSIONAL RECORD, Vol. 131 (1985):

Apr. 2, considered and passed House.

Apr. 3, considered and passed Senate, amended.

May 8, House agreed to conference report.

May 15, 16, Senate considered and agreed to conference report.

WEEKLY COMPILATION OF PRESIDENTIAL DOCUMENTS, Vol. 21, No. 21 (1985):

May 24, Presidential statement.