

JOHN THUNE

U.S. SENATOR *for* SOUTH DAKOTA

Sen. John Thune's Investment in New Ventures and Economic Success Today (INVEST) Act of 2017

Top Line Takeaways

The bill is intended to be a significant component of an overall tax reform package that would include a reduction in the individual and corporate tax rates and a new pass-through business tax rate. The following provisions of the bill are designed to reform key parts of the tax code and would help businesses more quickly recover the cost of their investments in property, equipment, and inventory. By freeing up invested capital, the bill is intended to foster new business formation and help existing businesses, small to large, expand their operations, create new jobs, and fuel greater economic growth.

Start-up Costs

- The bill would let new businesses expense more of their start-up and organizational expenses by increasing the deductible amount to \$50,000, with additional costs deducted over 10 years instead of the current 15-year period.

Simplified Accounting

- More small and medium-sized corporations – those with average gross receipts of \$15 million or less over last three years – would be able to use the cash method of accounting.
- The bill would simplify inventory accounting for small and medium-sized companies so inventory can be deducted immediately, and businesses that have inventories would not be disqualified if they otherwise can use the cash method of accounting.
- The bill would allow more small construction companies to use the simplified completed-contract method of accounting.

Expensing and Cost Recovery

- The bill would increase the Section 179 expensing limit to \$2 million and start phasing out the benefit for investments over \$3 million. Expensing also would apply to a broader range of property and equipment, including roofs, HVAC units, and property used in rental real estate.
- In cases where Section 179 does not apply, the bill would make permanent the extra 50-percent depreciation deduction for the first year that the qualifying property is placed in service.
- The bill would reduce the depreciation period for farm machinery and equipment from seven years to five years for farms and ranches that cannot otherwise expense it.
- For business vehicles, the bill would increase the amount that a company can deduct for a passenger vehicle to \$50,000 over 6 years, instead of current limit of \$16,935 (or \$24,935 with temporary 50-percent expensing). Businesses also would be able to claim the full 50-percent expensing in the first year, up to \$25,000.
- The bill would allow businesses that acquire intangible property, like a patent or customer list, to recover that investment over 10 years, rather than the 15-year period under current law.