

EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by section 532(c)(2)(A) of Pub. L. 106-170 applicable to any instrument held, acquired, or entered into, any transaction entered into, and supplies held or acquired on or after Dec. 17, 1999, see section 532(d) of Pub. L. 106-170, set out as a note under section 170 of this title.

EFFECTIVE DATE

Pub. L. 105-34, title IX, §941(c), Aug. 5, 1997, 111 Stat. 885, provided that: “The amendments made by this section [enacting this section] shall apply to expenditures paid or incurred after the date of the enactment of this Act [Aug. 5, 1997], in taxable years ending after such date.”

[§ 198A. Repealed. Pub. L. 113-295, div. A, title II, § 221(a)(35), Dec. 19, 2014, 128 Stat. 4042]

Section, added Pub. L. 110-343, div. C, title VII, §707(a), Oct. 3, 2008, 122 Stat. 3923, related to expensing of qualified disaster expenses. Repeal was executed to this section, which is in part VI of subchapter B of chapter 1, to reflect the probable intent of Congress, notwithstanding directory language of Pub. L. 113-295, which repealed section 198A in part VI of subchapter A of chapter 1.

EFFECTIVE DATE OF REPEAL

Repeal effective Dec. 19, 2014, subject to a savings provision, see section 221(b) of Pub. L. 113-295, set out as an Effective Date of 2014 Amendment note under section 1 of this title.

§ 199. Income attributable to domestic production activities

(a) (a)¹ Allowance of deduction

There shall be allowed as a deduction an amount equal to 9 percent of the lesser of—

- (1) the qualified production activities income of the taxpayer for the taxable year, or
- (2) taxable income (determined without regard to this section) for the taxable year.

(b) Deduction limited to wages paid

(1) In general

The amount of the deduction allowable under subsection (a) for any taxable year shall not exceed 50 percent of the W-2 wages of the taxpayer for the taxable year.

(2) W-2 wages

For purposes of this section—

(A) In general

The term “W-2 wages” means, with respect to any person for any taxable year of such person, the sum of the amounts described in paragraphs (3) and (8) of section 6051(a) paid by such person with respect to employment of employees by such person during the calendar year ending during such taxable year.

(B) Limitation to wages attributable to domestic production

Such term shall not include any amount which is not properly allocable to domestic production gross receipts for purposes of subsection (c)(1).

(C) Return requirement

Such term shall not include any amount which is not properly included in a return

filed with the Social Security Administration on or before the 60th day after the due date (including extensions) for such return.

(D) Special rule for qualified film

In the case of a qualified film, such term shall include compensation for services performed in the United States by actors, production personnel, directors, and producers.

(3) Acquisitions, dispositions, and short taxable years

The Secretary shall provide for the application of this subsection in cases of a short taxable year or where the taxpayer acquires, or disposes of, the major portion of a trade or business or the major portion of a separate unit of a trade or business during the taxable year.

(c) Qualified production activities income

For purposes of this section—

(1) In general

The term “qualified production activities income” for any taxable year means an amount equal to the excess (if any) of—

(A) the taxpayer’s domestic production gross receipts for such taxable year, over

(B) the sum of—

- (i) the cost of goods sold that are allocable to such receipts, and
- (ii) other expenses, losses, or deductions (other than the deduction allowed under this section), which are properly allocable to such receipts.

(2) Allocation method

The Secretary shall prescribe rules for the proper allocation of items described in paragraph (1) for purposes of determining qualified production activities income. Such rules shall provide for the proper allocation of items whether or not such items are directly allocable to domestic production gross receipts.

(3) Special rules for determining costs

(A) In general

For purposes of determining costs under clause (i) of paragraph (1)(B), any item or service brought into the United States shall be treated as acquired by purchase, and its cost shall be treated as not less than its value immediately after it entered the United States. A similar rule shall apply in determining the adjusted basis of leased or rented property where the lease or rental gives rise to domestic production gross receipts.

(B) Exports for further manufacture

In the case of any property described in subparagraph (A) that had been exported by the taxpayer for further manufacture, the increase in cost or adjusted basis under subparagraph (A) shall not exceed the difference between the value of the property when exported and the value of the property when brought back into the United States after the further manufacture.

(4) Domestic production gross receipts

(A) In general

The term “domestic production gross receipts” means the gross receipts of the taxpayer which are derived from—

¹ So in original.