

112TH CONGRESS  
1ST SESSION

# S. 1526

To amend the Internal Revenue Code of 1986 to provide a tax incentive for the installation and maintenance of mechanical insulation property.

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IN THE SENATE OF THE UNITED STATES

SEPTEMBER 8, 2011

Mrs. GILLIBRAND (for herself and Mr. JOHANNIS) introduced the following bill;  
which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a tax incentive for the installation and maintenance of mechanical insulation property.

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.**

4 This Act may be cited as the “Mechanical Insulation  
5 Installation Incentive Act of 2011”.

6 **SEC. 2. EXPENSING OF MECHANICAL INSULATION PROP-**  
7 **ERTY.**

8 (a) IN GENERAL.—Part VI of subchapter B of chap-  
9 ter 1 of subtitle A of the Internal Revenue Code of 1986

1 is amended by inserting after section 179E the following  
 2 new section:

3 **“SEC. 179F. MECHANICAL INSULATION PROPERTY.**

4       “(a) TREATMENT AS EXPENSES.—In addition to any  
 5 other deduction in this subtitle, there shall be allowed as  
 6 a deduction an amount equal to the applicable percentage  
 7 of the cost of mechanical insulation property placed in  
 8 service during the taxable year.

9       “(b) APPLICABLE PERCENTAGE.—For purposes of  
 10 subsection (a)—

11           “(1) IN GENERAL.—The term ‘applicable per-  
 12 centage’ means the lesser of—

13               “(A) 30 percent, and

14               “(B) the reduction in energy loss (ex-  
 15 pressed as a percentage) from the installed me-  
 16 chanical insulation property compared to ref-  
 17 erence mechanical insulation property which  
 18 meets the minimum requirements of ASHRAE  
 19 standard 90.1–2007.

20           “(2) SPECIAL RULE RELATING TO MAINTENANCE.—In the case of mechanical insulation prop-  
 21 erty placed in service as a replacement for insulation  
 22 property—  
 23 property—

24               “(A) paragraph (1)(B) shall not apply, and

1           “(B) the cost of such property shall be  
2           treated as an expense for which a deduction is  
3           allowed under section 162 instead of being  
4           treated as depreciable for purposes of the de-  
5           duction provided by section 167.

6           “(c) DEFINITIONS.—For purposes of this section—

7           “(1) MECHANICAL INSULATION PROPERTY.—

8           The term ‘mechanical insulation property’ means in-  
9           sulation materials, facings, and accessory products—

10           “(A) placed in service in connection with a  
11           mechanical system which—

12           “(i) is located in the United States,

13           and

14           “(ii) is of a character subject to an al-  
15           lowance for depreciation, and

16           “(B) utilized for thermal requirements for  
17           mechanical piping and equipment, hot and cold  
18           applications, and heating, venting and air con-  
19           ditioning applications which can be used in a  
20           variety of facilities.

21           “(2) COST.—The cost of mechanical insulation  
22           property includes—

23           “(A) the amounts paid or incurred for the  
24           installation of such property for that incre-  
25           mental portion above the minimums in

1 ASHRAE standard 90.1–2007 and the total in-  
2 sulation cost for maintenance applications,

3 “(B) in the case of removal and disposal of  
4 the old mechanical insulation property, 10 per-  
5 cent of the cost of the new mechanical insula-  
6 tion property (determined without regard to  
7 this subparagraph), and

8 “(C) expenditures for labor costs properly  
9 allocable to the preparation, assembly, and in-  
10 stallation of mechanical insulation property.

11 “(d) COORDINATION.—Subsection (a) shall not apply  
12 to the cost of mechanical insulation property which is  
13 taken into account under section 179D or which, but for  
14 subsection (b) of section 179D, would be taken into ac-  
15 count under such section.

16 “(e) ALLOCATION OF DEDUCTION FOR TAX-EXEMPT  
17 PROPERTY.—In the case of mechanical insulation prop-  
18 erty installed on or in property owned by an entity de-  
19 scribed in paragraph (3) or (4) of section 50(b), the per-  
20 son who is the primary contractor for the installation of  
21 such property shall be treated as the taxpayer that placed  
22 such property in service.

23 “(f) CERTIFICATION.—For purposes of this section,  
24 energy savings shall be certified under regulations or other

1 guidance provided by the Secretary, in consultation with  
2 the Secretary of Energy.

3 “(g) TERMINATION.—This section shall not apply to  
4 any property placed in service after the end of the 5-year  
5 period beginning on the date of the enactment of this sec-  
6 tion.”.

7 (b) DEDUCTION FOR CAPITAL EXPENDITURES.—  
8 Section 263(a)(1) of the Internal Revenue Code of 1986  
9 is amended by striking “or” at the end of subparagraph  
10 (K), by striking the period at the end of paragraph (L)  
11 and inserting “, or”, and by adding at the end the fol-  
12 lowing new subparagraph:

13 “(M) expenditures for which a deduction is  
14 allowed under section 179F.”.

15 (c) TECHNICAL AND CLERICAL AMENDMENTS.—

16 (1) Section 312(k)(3)(B) of the Internal Rev-  
17 enue Code of 1986 is amended by striking “or  
18 179E” each place it appears in the text or heading  
19 thereof and inserting “179E, or 179F”.

20 (2) Paragraphs (2)(C) and (3)(C) of section  
21 1245(a) of such Code are each amended by inserting  
22 “179F,” after “179E,”.

23 (3) The table of sections for part VI of sub-  
24 chapter B of chapter 1 of subtitle A of such Code

1 is amended by inserting after the item relating to  
2 section 179E the following new item:

“Sec. 179F. Mechanical insulation property.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by  
4 this section shall apply to property placed in service after  
5 the date of enactment of this Act.

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