

**PROVISIONS IN THE SENATE BILL THAT ARE NOT  
IN THE COMMITTEE-PASSED BILL**

**International Reforms**

1. 20-year carryforward of foreign tax credits (Committee bill reduces baskets from 9 to 2)
2. Expand subpart F de minimus rule to lesser of 5% of gross income or \$5 million
3. Limit application of uniform capitalization rules for foreign persons
4. Eliminate 30% tax on certain U.S.-source capital gains of nonresident aliens
5. Revision of foreign tax credit rules with respect to base differences
6. Foreign tax credit treatment of deemed payments under section 367(d)
7. Modify FIRPTA rules for REITs
8. Exclusion of horse-racing and dog-racing gambling winnings
9. Reduce withholding tax applicable to dividends paid to Puerto Rico companies
10. Reports and Studies
  - a. Require Commerce Dept. report on adverse decisions of the WTO
  - b. Study impact of international tax law on taxpayers other than large corporations

**Business Tax Incentives**

1. Modify Industrial Development
2. Expense broadband equipment (sunset after 1 year)
3. Change definition of production period for natural aging process of distilled liquors
4. Apply section 355 "active business test" to chains of affiliated companies
5. Exclude certain small business indebtedness of small investment companies from acquisition indebtedness
6. Modify cooperative marketing to include value-added processing involving animals
7. Extend declaratory judgment relief to farm cooperatives
8. Repeal personal holding company tax (sunset after 5 years)
9. 5-year NOL carryback extended to 2003 if taxpayer elects out of bonus depreciation
10. Extend and expand R&E credit
11. 3 provisions relating to film production, including a provision that allows film producers to calculate the new manufacturing deduction on a movie-by-movie basis (this is different from Committee-passed provision which related to income from royalties)
12. 3 provisions relating to timber

**Revenue Raisers**

The bill includes over 80 revenue raisers (including all of the raisers in the House bill). The more controversial raisers in the Senate bill include:

1. Codification of economic substance
2. Leasing (retroactive for foreign deals)
3. Denial of deduction for fines and penalties
4. Change in treatment of contingent convertible debt instruments
5. Increase kiddy tax

## Other Provisions

1. Modification to mortgage revenue bonds, sunsets after 1 year
2. Allow deduction of premiums for mortgage insurance, sunset after 2 years
3. Increase historic rehabilitation credit for certain low-income housing for the elderly
4. Extend and expand New York Liberty Zone bonds
5. Expand QZABs
6. Allow Indian tribes to issue tax exempt bonds, sunsets after 2 years
7. Bonds related to use of forest land, capped and sunsets after 3 years
8. Allow Indian tribes to issue school tax credit bonds (i.e., QZABs)
9. Extended placed in service date for certain property that qualifies for bonus depreciation (including aircraft)
10. Reduce depreciation period from 15 to 7 years for racetracks
11. Modification to AMT rules and general business credits
12. New Markets Tax Credit for Indian reservations
13. Ready reserve-national guard employee credit
14. Rural investment tax credit
15. Qualified rural small business investment credit
16. 30% tax credit for maintaining railroad tracks
17. Railroad revitalization and security investment tax credit
18. Special allocation of #17 for New York City projects
19. Expand areas that qualify for New Markets Tax Credit
20. Update census data for Renewal Communities
21. UBIT exemption on gains/losses for certain brownfields sites
22. Modification of UBIT on certain investments for cleaning up sites
23. Civil Rights Tax Relief Act
24. Exclude payroll taxes to individuals who receive certain loan repayments
25. Exclusions for rural letter carriers
26. Change method of accounting for naval shipbuilders
27. Permit life insurance companies tax-free distributions from policyholder surplus accounts
28. Oldsmobile provision
29. Reduce holding period to determine if horses are section 1231 assets
30. Blue ribbon commission on comprehensive tax reform
31. Temporary accumulated earnings tax safe harbor
32. Tax treatment of State ownership of railroad REITs
33. Contribution of aid construction for water and sewage disposal facilities
34. Credit for purchase of installation of agricultural water conservation systems
35. Modify involuntary conversion rules for businesses affected by 9/11 attacks
36. Repeal 4.3 cent fuel tax on diesel for rail and inland barges
37. Allow personal energy credits against the AMT
38. Distributions from publicly traded partnerships treated as qualifying income for RICs
39. Expanded the 501(c)(15) raiser we just enacted in the pension bill
40. Tax credit for pollution control equipment installed on ethanol plants
41. 50% tax credit to businesses for costs incurred in captioning movies in order to make them accessible to the deaf
42. Allows precious metals and bullion to be taxed at capital gains rates

43. Allows companies to increase their AMT credit instead of claiming bonus depreciation
44. Green bonds; but can't be used for food/restaurant establishments
45. Adds as an optional benefit to the Medicaid program primary and secondary medical strategies and treatment for individuals with sickle cell disease
46. Buy America - Requires a report from each executive agency on the articles purchased which are manufactured outside the United States.

### **Expiring Provisions**

Extends most expiring provisions through the end of 2005.

WOTC and welfare-to-work tax credits are extended permanently.

The tax credit for electric vehicles and the deduction for clean fuel vehicles is extended 2 years.

The following expiring provisions are extended only through the end of 2004:

1. Allow personal tax credits against the AMT
2. Tax credit for electricity from wind, poultry litter, etc.
3. Suspension of 100 percent limitation for marginal oil and gas wells

### **Energy Tax Incentives**

Includes \$14 billion energy tax package, including VEETC

### **Highway Bill Provisions**

Includes all of the fuel fraud provisions and other raisers from the Senate-passed highway bill.

**PROVISIONS IN COMMITTEE PASSED JOBS BILL THAT ARE ALSO INCLUDED IN OTHER BILLS**  
 [(IN BILLIONS OF DOLLARS)]

Provision in Committee Passed Bill	Comments	10-Year FY 2004-2013	
		House Estimate	Senate Estimate
<b><u>Title I. End Tariffs and Provide Tax Relief</u></b>			
1. Repeal FSC	In Senate Jobs bill	43.1	54.7
2. Reduce corporate tax rate for manufacturers to 32%	Senate bill has a deduction	-61.1	-65.0
3. Reduce corporate tax rate for small businesses to 32%		-16.4	
		-34.4	
<b><u>Title II. Small Business and Job Creation Tax Incentives</u></b>			
1. 2-year extension of Section 179 expensing	Senate bill increases phase-out level	-2.0	-0.2
2. Reduce depreciation period for restaurant and leasehold improvements		-2.9	
3. AMT relief (4 provisions)			
a. Repeal 90% limitation on foreign tax credits	In Senate Jobs Bill	-3.0	-2.9
b. Phase out 90% limitation on use of NOLs		-4.7	
c. Expand AMT exemption for small corps with income under \$20 M		-1.0	
d. Coordinate AMT with farmer income averaging		0.0	
4. S Corp reforms (11 provisions)		-1.3	
5. Clarify that broad-based stock options are not subject to payroll tax		0.0	
		-14.9	
<b><u>Title III. International Provisions</u></b>			
<i>Treatment of Active Income</i>			
1. Treat EU as one country for purposes of Subpart F		-10.5	
2. Look-through treatment of payments for CFCs under PHC rules	In Senate Jobs bill	-1.8	-2.3
3. Look-through treatment for sales of partnership interests	In Senate Jobs bill	-0.7	-0.9
4. Repeal foreign PHC and investment company rules	In Senate Jobs bill	-0.7	-0.8
5. Clarify treatment of pipeline transportation income		-0.2	
6. Determination of PHC income with respect to commodity transactions	In Senate Jobs bill	-0.1	-0.1
7. Repeal of CFC rules on foreign base company shipping income	half in Senate bill	-0.7	
8. Modify exceptions under Subpart F	In Senate Jobs bill	negligible	negligible
9. Partial exclusion for income from certain film-related intangibles		-0.6	0.0
<i>Reduce Double Taxation</i>			
1. Interest expense allocation rules	In Senate Jobs bill	-11.5	-11.5
2. Recharacterize domestic losses	In Senate Jobs bill	-5.3	-4.7
3. Reduce FTC baskets from 9 to 2		-8.2	
4. Apply look-through rules to dividends from section 902 corps.	In Senate Jobs bill	-0.7	-0.7
5. Attribution of stock ownership through partnerships for 902/960 credits	In Senate Jobs bill	0.0	0.0
6. Clarify treatment of certain transfers of intangible property	In Senate Jobs bill	-0.1	-0.1

Provision in Committee Passed Bill	Comments	10-Year FY 2004-2013	
		House Estimate	Senate Estimate
7. U.S. property not to include certain assets acquired by dealers	In Senate Jobs bill	-0.1	-0.2
8. Election not to use average exchange rate for foreign tax paid	In Senate Jobs bill	negligible	negligible
9. Repeal of withholding tax on dividends from certain foreign corporations	In Senate Jobs bill	0.0	0.0
10. Equalize treatment of interest paid by foreign partnerships and corps	In Senate Jobs bill	0.0	0.0
11. Treatment of dividends of RICs/mutual funds		-0.6	
Interaction		5.0	
		<b>-36.8</b>	
<b>Title IV. Miscellaneous Provisions</b>			
1. Involuntary conversion rules for livestock sold on account of drought	In Senate Jobs bill	0.0	0.0
2. Cooperative stock dividends do not reduce patronage dividends	In Senate Jobs bill	0.0	0.0
3. Expand orphan drug tax credit		-0.2	
4. Treatment of distributions from publicly traded partnerships		-0.1	
5. Real estate investment trust modification		negligible	
6. Modify taxation of bows and arrows	In Senate Jobs bill	0.0	0.0
7. Repeal excise tax on fishing tackle boxes		0.0	
8. Income tax credit for carrying costs of distilled spirits		-0.2	
9. Capital gains treatment for outright sales of timber	In Senate Job bill	negligible	negligible
10. Repeal excise tax on sonar fish finding devices		0.0	
11. Taxation of certain EPA settlement funds		-0.1	
12. Suspension of SOT relating to alcohol		-0.2	
		<b>-0.8</b>	
<b>Title V. Revenue Raisers</b>			
1. Clarify rules relating to taxation of deferred compensation	In Senate Jobs bill	0.8	
2. Add Hepatitis A to list of taxable vaccines	In Senate Jobs bill	0.1	
3. Reduce potential for interest stripping	Different provision in Senate bill	2.7	
4. Inversion and expatriation provisions (5 provisions)	In Senate Jobs bill	0.8	
5. Reducing tax shelters (5 provisions)	In Senate Jobs bill	1.6	
6. Miscellaneous raisers (15 provisions, excluding insurance companies)	In Senate Jobs bill	2.8	
7. Extend customs user fees and merchandise processing fees	In Senate Jobs bill	16.3	16.2
		<b>25.1</b>	
<b>TOTAL</b>		<b>-61.9</b>	

## OPTIONS FOR DISCUSSION

### **Job Creation Business Incentives**

1. Bonus depreciation (\$6 billion - \$12 billion).
2. Repatriation (\$4.5 billion).
3. VEETC (raises \$4.5 billion).
4. Sales tax deduction (cost depends on policy).

### **Modifications to International Reforms**

1. *Adopt the provisions that are the same in both bills; drop the rest.* Fifteen of the 20 provisions in the Committee-passed bill (\$22 billion out of the \$36 billion total) are also in the Senate bill. The Senate voted twice to defeat amendments that would have stripped these provisions from the bill (Graham amendment: 22-77; Hollings amendment 23-74)
2. *Drop provisions that the same in both bills; keep provisions the Senate does not have.* Six of the 20 provisions in the Committee-passed bill (totaling \$14 billion) are not included in the Senate bill.

### **Revenue Raising Provisions**

1. Conform interest stripping provision in Committee-passed bill to the Senate provision
2. Leasing (\$16.2 billion)
3. Car and patent donations (\$3.9 billion)
4. Extend amortization for sport franchises (\$0.4 billion)
5. Add flu vaccine to list of taxable vaccines (\$0.5 billion)
6. Modification of straddle rules (\$0.2 billion)
7. Shortening depreciation period for restaurant and leasehold improvements (\$2.9 billion) could be dropped without losing support.
8. Some of the miscellaneous provisions are in the Senate Jobs bill and/or highway bill (\$0.5 billion)