H.R. 7060
Renewable Energy and Job Creation Tax Act of 2008

September 25, 2008

Summary: H.R. 7060, the *Renewable Energy and Job Creation Tax Act of 2008*, will provide approximately $15 billion of tax incentives for investment in renewable energy, carbon capture and sequestration demonstration projects, energy efficiency and conservation. The bill will also extend $42 billion of expiring temporary tax provisions for two years (through 2009), including the research and development credit, special rules for active financing income, the State and local sales tax deduction, the deduction for out-of-pocket expenses for teachers, and the deduction for qualified tuition expenses. In addition, the bill provides more than $3 billion of additional tax relief for individuals through an expansion of the refundable child tax credit. The bill would be offset using revenue-raising provisions that have passed the Senate with overwhelming support, including provisions that would: (1) prevent the understatement of foreign oil and gas extraction income in calculating foreign tax credits; (2) freeze the section 199 deduction for oil and gas companies at 6%; (3) provide for broker reporting of customer's basis in securities; (4) extend the FUTA surtax for one year; (5) extend and increase funding for the Oil Spill Liability Trust Fund; (6) close a tax loophole that allows individuals that work for certain offshore corporations, such as hedge fund managers, to defer tax on their compensation, and (7) delay a tax benefit for multinational corporations operating overseas that has yet to take effect.

ENERGY TAX INCENTIVES

I. ENERGY PRODUCTION INCENTIVES

Renewable Energy Incentives

Long-term extension and modification of renewable energy production tax credit. The bill would extend the placed-in-service date for wind facilities for one year (through December 31, 2009). The bill would also extend the placed-in-service date for two and three-quarter years (through September 30, 2011) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; and waste-to-energy facilities. The bill would also include a new category of qualifying facilities that will benefit from the longer September 30, 2011 placed-in-service date -- facilities that generate electricity from marine renewables (e.g., waves and tides). The bill would cap the aggregate amount of tax credits that can be earned for these qualifying facilities placed in service after December 31, 2009 to an amount that has a present value equal to 35% of the facility's cost. The bill would update the definition of an open-loop biomass facility, the definition of a waste-to-energy facility, and the definition of a non-hydroelectric dam. *This proposal is estimated to cost $6.434 billion over 10 years.*

Long-term extension and modification of solar energy and fuel cell investment tax credit. The bill would extend the 30% investment tax credit for solar energy property and qualified fuel cell property and the 10% investment tax credit for microturbines for eight years (through the end of 2016). It also would increase the $500 per half kilowatt of capacity cap for qualified fuel cells to $1,500 per half kilowatt of capacity. The bill would remove an existing limitation that prevents public utilities from claiming the investment tax credit. The bill would also provide a new 10% investment tax credit for combined heat and power systems. The bill would also allow these credits to be used to offset alternative minimum tax (AMT). *This proposal is estimated to cost $1.765 billion over 10 years.*

Long-term extension and modification of the residential energy-efficient property credit. The bill would extend the credit for residential solar property for eight years (through the end of 2016). The bill would also eliminate the annual credit cap (currently capped at $2,000) for solar electric property. The bill would include residential small wind equipment and geothermal heat pumps as property qualifying for this credit. The bill would also allow the credit to be used to offset alternative minimum tax (AMT). *This proposal is estimated to cost approximately $1.316 billion over 10 years.*

Sales of electric transmission property. The bill would extend the present-law deferral of gain on sales of transmission property by vertically integrated electric utilities to FERC-approved independent transmission companies. Rather than recognizing the full amount of gain in the year of sale, this provision would allow gain on such sales to be recognized ratably over an 8-year period. The rule applies to sales before January 1, 2010. *This proposal is revenue neutral over 10 years.*

Carbon Mitigation Provisions

Carbon capture and sequestration (CCS) demonstration projects. The bill would provide $1.1 billion of tax credits for the creation of advanced coal electricity projects and certain coal gasification projects that demonstrate the greatest potential for carbon capture and sequestration (CCS) technology. Of these $1.1 billion of incentives, $950 million would be awarded to advanced coal electricity projects and $150 million would be awarded to certain coal gasification projects. These tax credits would be awarded by Treasury through an application process, with the applicants that demonstrate the greatest carbon capture and sequestration percentage of total CO_2 emissions receiving the highest priority. Applications would not be considered unless applicants can demonstrate that either their advanced coal electricity project would capture and sequester at least 65% of the facility's carbon dioxide emissions or that their coal gasification project would capture and sequester at least 75% of the facility's carbon dioxide emissions. Once these credits are awarded, recipients that fail to meet these minimum levels of carbon capture and sequestration would forfeit these tax credits. *This proposal is estimated to cost $1.044 billion over 10 years.*

Refund of certain coal excise taxes unconstitutionally collected from exporters. The Courts have determined that the Export Clause of the U.S. Constitution prevents the imposition of the coal excise tax on exported coal and, therefore, taxes collected on such exported coal are subject to a claim for refund. The bill would create a new procedure under which certain coal producers and exporters may claim a refund of these excise taxes that were imposed on coal exported from the United States. Under this procedure, coal producers or exporters that exported coal during the period beginning on or after October 1, 1990 and ending on or before the date of enactment of the bill, may obtain a refund (plus interest) from the Treasury of excise taxes paid on such exported coal and any interest accrued from the date of overpayment. *This proposal is estimated to cost $199 million over 10 years.*

Solvency for the Black Lung Disability Trust Fund. The bill would enact the President's proposal to bring the Black Lung Disability Trust Fund out of debt. Under current law, an excise tax is imposed on coal at a rate of $1.10 per ton for coal from underground mines and $0.55 per ton for coal from surface mines (aggregate tax per ton capped at 4.4 percent of the amount sold by the producer). Receipts from this tax are deposited in the Black Lung Disability Trust Fund, which is used to pay compensation, medical and survivor benefits to eligible miners and their survivors and to cover costs of program administration. The Trust Fund is permitted to borrow from the general fund any amounts necessary to make authorized expenditures if excise tax receipts do not provide sufficient funding. Reduced rates of excise tax apply after the earlier of December 31, 2013 or the date on which the Black Lung Disability Trust Fund has repaid, with interest, all amounts borrowed from the general fund of the Treasury. The President's Budget proposes that the current excise tax rate should continue to apply beyond 2013 until all amounts borrowed from the general fund of the Treasury have been repaid with interest. After repayment (or January 1, 2019, if earlier), the reduced excise tax rates of $0.50 per ton for coal from underground mines and $0.25 per ton for coal from surface mines would apply (and the aggregate tax per ton would be capped at 2 percent of the amount sold by the producer). *This proposal is estimated to raise $1.287 billion over 10 years.*

Carbon audit of the tax code. The bill directs the Secretary of the Treasury to request that the National Academy of Sciences undertake a comprehensive review of the tax code to identify the types of specific tax provisions that have the largest effects on carbon and other greenhouse gas emissions and to estimate the magnitude of those effects. *This proposal has no revenue effect.*

II. TRANSPORTATION AND DOMESTIC FUEL SECURITY

Expansion of allowance for property to produce cellulosic alcohol. Under current law, taxpayers are allowed to immediately write off 50% of the cost of facilities that produce cellulosic ethanol if such facilities are placed in service before January 1, 2013. Consistent with other provisions in the bill that seek to be technology neutral, the bill would allow this write off to be available for the production of other cellulosic biofuels in addition to cellulosic ethanol. *This proposal is estimated to be revenue neutral over 10 years.*

Extension of biodiesel production tax credit; extension and modification of renewable diesel tax credit. The bill would extend for one year (through December 31, 2009) the $1.00 per gallon production tax credits for biodiesel and the small agri-biodiesel producer credit of 10 cents per gallon. The bill would also extend for one year (through December 31, 2009) the $1.00 per gallon production tax credit for diesel fuel created from biomass. The bill would eliminate the current-law disparity in credit for biodiesel and agri-biodiesel and eliminates the requirement that renewable diesel fuel must be produced using a thermal depolymerization process. As a result, the credit would be available for any diesel fuel created from biomass without regard to the process used so long as the fuel is usable as home heating oil, as a fuel in vehicles, or as aviation jet fuel. The bill would also clarify that the $1 per gallon production credit for renewable diesel is limited to diesel fuel that is produced solely from biomass. Diesel fuel that is created by co-processing biomass with other feedstocks (e.g., petroleum) would be eligible for the 50 cent per gallon tax credit for alternative fuels. *This proposal is estimated to cost $401 million over 10 years.*

Plug-in electric drive vehicle credit. The bill establishes a new credit for each qualified plug-in electric drive vehicle placed in service during each taxable year by a taxpayer. The base amount of the credit is $3,000. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit amount is increased by $200, plus another $200 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours up to 15 kilowatt hours. Taxpayers may claim the full amount of the allowable credit up to the end of the first calendar quarter after the quarter in which the manufacturer records 60,000 sales. The credit is reduced in following calendar quarters. The credit would be available against the alternative minimum tax (AMT). *This proposal is estimated to cost $1.056 billion over 10 years.*

Incentives for idling reduction units and advanced insulation for heavy trucks. The bill would provide an exemption from the heavy vehicle excise tax for the cost of idling reduction units, such as auxiliary power units (APUs), which are designed to eliminate the need for truck engine idling (e.g., to provide heating, air conditioning, or electricity) at vehicle rest stops or other temporary parking locations. The bill would also exempt the installation of advanced insulation, which can reduce the need for energy consumption by transportation vehicles carrying refrigerated cargo. Both of these exemptions are intended to reduce carbon emissions in the transportation sector. *This proposal is estimated to cost $95 million over 10 years.*

Fringe benefit for bicycle commuters. The bill would allow employers to provide employees that commute to work using a bicycle limited fringe benefits to offset the costs of such commuting (e.g., bicycle storage). *This proposal is estimated to cost $10 million over 10 years.*

Extension and increase of alternative refueling stations tax credit. The bill would increase the 30% alternative refueling property credit for businesses (capped at $30,000) to 50% (capped at $50,000). The credit provides a tax credit to businesses (e.g., gas stations) that install alternative fuel pumps, such as fuel pumps that dispense E85 fuel and natural gas. The bill would also extend this credit through the end of 2010 (through the end of 2014 in the case of natural gas refueling property). In addition, the bill would increase the 30% alternative refueling property credit for individuals (capped at $1,000) to 50% (capped at $2,000) and would extend the availability of this credit for natural gas home refueling pumps through 2017. *This proposal is estimated to cost $237 million over 10 years.*

Publicly Traded Partnership Income Treatment of Alternative Fuels. Under current law, a publicly traded partnership is taxable as a corporation unless 90% or more of its income is qualifying income. Although income derived from transporting oil and gas through pipelines is qualifying income, income derived from transporting certain alternative fuels, such as ethanol, is not qualifying income. The bill would permit publicly traded partnerships to treat the income derived from the transportation or storage of certain alternative fuels as qualifying income. *This proposal is estimated to cost $76 million over 10 years*.

III. ENERGY CONSERVATION AND EFFICIENCY

Extension and modification of credit for energy-efficiency improvements to existing homes. The bill would extend the tax credits for improvements to energy-efficient existing homes for 2009 and would include energy-efficient biomass fuel stoves as a new class of energy-efficient property eligible for a consumer tax credit of $300. *This proposal is estimated to cost $725 million over 10 years.*

Extension of energy-efficient commercial buildings. The bill would extend the energy-efficient commercial buildings deduction for five years (through December 31, 2013). *This proposal is estimated to cost $891 million over 10 years.*

Modification and extension of energy-efficient appliance credit. The bill would modify the existing energy-efficient appliance credit and extend this credit for three years (through the end of 2010). *This proposal is estimated to cost $323 million over 10 years.*

Accelerated depreciation for smart meters and smart grid systems. The bill would provide accelerated depreciation for smart electric meters and smart electric grid systems. Under current law, taxpayers are generally able to recover the cost of this property over the course of 20 years. The bill would cut the cost recovery time in half by allowing taxpayers to recover the cost of this property over a 10-year period. *This proposal is estimated to cost $921 million over 10 years*.

Extension and modification of qualified green building and sustainable design project bond. The bill would extend the authority to issue qualified green building and sustainable design project bonds through the end of 2012. Authority to issues these bonds is currently set to expire on September 30, 2009. The bill would also clarify the application of the reserve account rules to multiple bond issuances. *This proposal is estimated to cost $45 million over 10 years.*

EXTENSION OF TEMPORARY TAX PROVISIONS

I. EXTENDERS PRIMARILY AFFECTING INDIVIDUALS

Extension of the deduction of State and local general sales taxes. The bill would for two years (through 2009) extend the election to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction permitted for State and local income taxes. *This proposal is estimated to cost $3.304 billion over 10 years.*

Extension of above-the-line deduction for qualified tuition and related expenses. The bill would for two years (through 2009) extend the above-the-line tax deduction for qualified education expenses. For tax year 2007, the maximum deduction was $4,000 for taxpayers with AGI of $65,000 or less ($130,000 for joint returns) or $2,000 for taxpayers with AGI of $80,000 or less ($160,000 for joint returns). *This proposal is estimated to cost $2.397 billion over 10 years.*

Extension of special rules for regulated investment companies. The bill would for two years (through 2009) extend the tax treatment of interest-related dividends, short-term capital gain dividends, and other special rules applicable to foreign shareholders that invest in regulated investment companies. *This proposal is estimated to cost $154 million over 10 years.*

Extension of tax-free distributions from individual retirement plans for charitable purposes. The bill would for two years (through 2009) extend the provision that permits tax-free charitable contributions from an Individual Retirement Account (IRA) of up to $100,000 per taxpayer, per taxable year. *This proposal is estimated to cost $795 million over 10 years.*

Extension of above-the-line deduction for certain expenses of elementary and secondary school teachers. The bill would for two years (through 2009) extend the $250 above-the-line tax deduction for teachers and other school professionals for expenses paid or incurred for books, supplies (other than non-athletic supplies for courses of instruction in health or physical education, computer equipment (including related software and services), other equipment, and supplementary materials used by the educator in the classroom. *This proposal is estimated to cost $410 million over 10 years.*

Extension of the additional standard deduction for real property taxes. The bill would for one year (through 2009) extend the additional standard deduction for State and local real property taxes. *This proposal is estimated to cost $1.495 billion over 10 years.*

II. EXTENDERS PRIMARILY AFFECTING BUSINESSES

Extension of R&D credit. The bill would for two years (through 2009) extend the research credit for one year. *This proposal is estimated to cost $17.898 billion over 10 years.*

Extension of Indian employment credit. The bill would for two years (through 2009) extend the business tax credit for employers of qualified employees that work and live on or near an Indian reservation. The credit is for wages and health insurance costs paid to qualified employees (up to $20,000) in the current year over the amount paid in 1993. Wages for which the work opportunity tax credit is available are not qualified wages for the Indian employment tax credit. *This proposal is estimated to cost $119 million over 10 years.*

Extension of New Markets Tax Credit. The bill would for one year (through 2009) extend the new markets tax credit, permitting a $3.5 billion maximum annual amount of qualified equity investments. *This proposal is estimated to cost $1.315 billion over 10 years.*

Extension of railroad track maintenance credit. The bill would for two years (through 2009) extend the railroad track maintenance credit. The railroad track maintenance credit provides Class

II and Class III railroads (e.g., short-line railroads) with a tax credit equal to 50 percent of gross expenditures for maintaining railroad tracks that they own or lease. *This proposal is estimated to cost $331 million over 10 years.*

Extension of 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements The bill would for two years (through 2009) extend the special 15-year cost recovery period for certain leasehold and qualified restaurant improvements. Absent an extension of this provision, the cost recovery period for these facilities would be 39 years. *This proposal is estimated to cost $6.791 billion over 10 years.*

Extension of 7-year straight-line cost recovery period for motorsports entertainment complexes. The bill would for two years (through 2009) extend the special 7-year cost recovery period for property used for land improvement and support facilities at motorsports entertainment complexes. Absent an extension of this provision, the cost recovery period for these facilities would be 15 years. *This proposal is estimated to cost $100 million over 10 years.*

Extension of accelerated depreciation for business property on an Indian reservation. The bill would for two years (through 2009) extend the placed-in-service date for the special depreciation recovery period for qualified Indian reservation property. In general, qualified Indian reservation property is property used predominantly in the active conduct of a trade or business within an Indian reservation, which is not used outside the reservation on a regular basis and was not acquired from a related person. *This proposal is estimated to cost $295 million over 10 years.*

Extension of expensing of "brownfields" environmental remediation costs The bill would for two years (through 2009) extend the provision that allows for the expensing of costs associated with cleaning up hazardous ("brownfield") sites. *This proposal is estimated to cost $357 million over 10 years.*

Extension of deduction allowable with respect to income attributable to domestic production activities in Puerto Rico. The bill would for two years (through 2009) extend the provision extending the section 199 domestic production activities deduction to activities in Puerto Rico. *This proposal is estimated to cost $243 million over 10 years.*

Extension of special tax treatment of certain payments to controlling exempt organizations. The bill would for two years (through 2009) extend the special rules for interest, rents, royalties and annuities received by a tax exempt entity from a controlled entity. *This proposal is estimated to cost $47 million over 10 years.*

Reauthorization of Qualified Zone Academy Bonds (QZABs). The bill allows an additional $400,000,000 of QZAB issuing authority to State and local governments in each of 2008 and 2009, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest. *This proposal is estimated to cost $379 million over 10 years.*

Extension of tax incentives for investment in the District of Columbia. The bill would for two years (through 2009) extend the designation of certain economically depressed census tracts within the District of Columbia as the District of Columbia Enterprise Zone. Businesses and individual residents within this enterprise zone are eligible for special tax incentives. The bill would also for two years (through 2009) extend the $5,000 first-time homebuyer credit for the District of Columbia. *This proposal is estimated to cost $179 million over 10 years.*

Extension of American Samoa economic development credit. The bill would for two years (through 2009) extend the American Samoa economic development credit. In general, this credit provides certain domestic corporations operating in American Samoa with a possessions tax credit to offset their U.S. tax liability on income earned in American Samoa from active business operations, sales of assets used in a business, or certain investments in American Samoa. *This proposal is estimated to cost $33 million over 10 years.*

Extension of enhanced charitable deduction for contributions of food inventory. The bill would for two years (through 2009) extend the provision allowing businesses to claim an enhanced deduction for the contribution of food inventory. *This proposal is estimated to cost $123 million over 10 years.*

Enhanced charitable deduction for contributions of book inventories to public schools. The bill would for two years (through 2009) extend the provision allowing C corporations to claim an enhanced deduction for contributions of book inventory to public schools (kindergarten through grade 12). *This proposal is estimated to cost $49 million over 10 years.*

Extension of enhanced deduction for corporate contributions of computer equipment for educational purposes. The bill would for two years (through 2009) extend a provision that encourages businesses to contribute computer equipment and software to elementary, secondary, and post-secondary schools by allowing an enhanced deduction for such contributions. *This proposal is estimated to cost $356 million over 10 years.*

Extension of special rule for S corporations making charitable contributions of property. The bill would for two years (through 2009) extend the provision allowing S corporation shareholders to take into account their pro rata share of charitable deductions even if such deductions would exceed such shareholder's adjusted basis in the S corporation. The bill would also make a technical correction clarifying the application of this provision. *This proposal is estimated to cost $132 million over 10 years.*

Extension of work opportunity tax credit for Hurricane Katrina employees. The bill would for two years (through 2009) extend the provision that expired in August of 2007 which allowed employers to claim the work opportunity tax credit for hiring employees who were affected by Hurricane Katrina. *This proposal is estimated to cost $29 million over 10 years.*

Extension of active financing exception. The bill would for one year (through 2009) extend the active financing exception from Subpart F of the tax code. *This proposal is estimated to cost $3.970 billion over 10 years.*

Extend look-through treatment of payments between related controlled foreign corporations. The bill would for one year (through 2009) extend the current law look-through treatment of payments between related controlled foreign corporations. *This proposal is estimated to cost $611 million over 10 years.*

Extend special expensing rules for certain film and television productions. The bill would for one year (through 2009) extend the current law special expensing rules for U.S. film and television productions for. *This proposal is estimated to cost $11 million over 10 years.*

III. OTHER EXTENDERS

Extension of disclosures of certain tax return information. The bill would permanently extend the current-law terrorist activity disclosure provisions. *This proposal estimated to have no revenue effect.*

Extension of authority for undercover operations. The bill would permanently extend the authorization for the IRS to engage in certain activities related to undercover operations, such as purchasing property, organizing business entities and use the proceeds from an undercover operation to pay additional expenses incurred in the undercover operation. *This proposal is estimated to have a negligible revenue effect.*

Extension of temporary increase in limit on cover over of run excise tax revenues to Puerto Rico and the Virgin islands. The bill would for two years (through 2009) extend the provision providing for payment of $13.25 per gallon to cover over a $13.50 per proof gallon excise tax on distilled spirits produced in or imported into the United States. *This proposal is estimated to cost $192 million over 10 years.*

ADDITIONAL TAX RELIEF

Change in refundable child credit. The bill would increase the eligibility for the refundable child tax credit in 2009. The child tax credit is refundable to the extent of 15 percent of the taxpayer's earned income in excess of approximately $12,050 as a result of inflation adjustments to the original floor of $10,000. The bill would reduce this floor to $8,500 for 2009. *This proposal is estimated to cost $3.129 billion over 10 years.*

Provisions related to film and television productions. Under current law, taxpayers have not been able to take full advantage of tax incentives that are intended to encourage film and television companies to produce films here in the United States rather than overseas because of a number of technical issues. The bill would fix these issues. *This proposal is estimated to cost $468 million over 10 years.*

Exemption of excise tax on certain wooden and fiberglass arrows designed for use by children. Current law imposes an excise tax of 39 cents, adjusted for inflation, on the first sale by the manufacturer, producer, or importer of any shaft of a type used to produce certain types of arrows. The bill would exempt from the excise tax certain wooden and fiberglass arrows designed for use by children. *This proposal is estimated to cost $6 million over 10 years.*

Modification of penalty on understatement of taxpayer's liability by tax return preparer. The bill would conform the penalty standards for return preparers with the standards for taxpayers. For undisclosed positions, the penalty standard for return preparers is reduced to substantial authority. For disclosed positions, a return preparer generally must have a reasonable basis for the position. For positions involving tax shelters and certain reportable transactions, a return preparer must have a reasonable belief that the position would more likely than not be sustained on the merits. *This proposal is estimated to cost $22 million over 10 years.*

REVENUE PROVISIONS

Freeze current law section 199 benefits at 6% for oil and natural gas production income. The bill would freeze the domestic production deduction for income of taxpayers that is with respect to oil, natural gas or any primary product thereof at 6% (which is current law). Absent this action, this deduction would increase to 9% in 2010. This is a scaled-back version of the provision proposing outright repeal of section 199 with respect to all oil, natural gas or any primary product thereof that passed the House as part of H.R. 6 (in January 2007) by a vote of 264 to 163 (with 36 House Republicans joining 228 House Democrats in support) and as part of H.R. 2776 (in August 2007) by a vote of 221 to 189 (with 9 House Republicans joining 212 House Democrats in support). This is also a scaled-back version of the provision proposing outright repal of section 199 for the major integrated oil producers (with a 6% freeze for other oil and gas companies) that passed the House as part of H.R. 6 (in December 2007) by a vote of 235 to 181 (with 14 House Republicans joining 221 House Democrats in support), as part of H.R. 5351 (in February 2008) by a vote of 236 to 182 (with 17 House Republicans joining 219 House Democrats in support) and as part of H.R. 6899 (in September 2008) by a vote of 236 to 189 (with 15 House Republicans joining with 221 House Democrats in support). *This proposal is estimated to raise $4.906 billion over 10 years.*

Basis reporting by brokers on sales of stock. The bill would enact President Bush's proposal to create mandatory cost basis reporting by brokers for transactions involving publicly traded securities. Covered securities are generally stock and debt and also commodities, derivatives and other instruments, if specified by the Secretary of the Treasury, which are acquired in the account or transferred to the account managed by the broker. The President's FY 2009 Budget recommends that Congress require basis reporting on security sales. The Department of the Treasury explains that this proposal is necessary because "compliance increases significantly for amounts that a third party reports to the [Internal Revenue Service (IRS)]. The potential for non-compliance on sales of securities is considerable under current law because the taxpayer's basis is not reported to the IRS. Requiring brokers to maintain records of the adjusted basis of securities sold by their customers and report this information to the IRS would increase compliance with capital gains reporting. In addition, such a requirement would provide significant simplification benefits by relieving taxpayers from the often complicated task of calculating adjusted basis to determine gain or loss on the sale of securities." This provision passed the House of Representatives as part of H.R. 6 (in December 2008) by a vote of 235 to 181 (with 14 House Republicans joining 221 House Democrats in support) and as part of H.R. 3221 (in May 2008) by a vote of 322 to 94 (with 95 House Republicans joining with 227 House Democrats in support). *This proposal is estimated to raise $6.670 billion over 10 years*.

Extend FUTA taxes for one year. The Federal Unemployment Tax Act ("FUTA") imposes a 6.2 percent gross tax rate on the first $7,000 paid annually by covered employers to each employee. In 1976, Congress passed a temporary surtax of 0.2 percent of taxable wages to be added to the permanent FUTA tax rate. The temporary surtax subsequently has been extended through 2008. The President's FY 2009 Budget proposes extending the FUTA surtax. The Treasury Department states that "extending the surtax will support the continued solvency of the Federal unemployment trust funds and maintain the ability of the unemployment system to adjust to any economic downturns." The bill would enact the President's proposal for one year (through 2009). *This provision is estimated to raise $1.474 billion over 10 years.*

Oil Spill Liability Trust Fund. The bill would extend the oil spill tax through December 31, 2017, increases the per barrel tax from 5 cents to 8 cents from 2009 through 2016, and to 9 cents in 2017. The bill also repeals the requirement that the tax be suspended when the unobligated balance exceeds $2.7 billion. *This proposal is estimated to raise $1.715 billion over 10 years.*

Clarification of foreign oil and gas extraction income. The bill would eliminate the distinction between foreign oil and gas extraction income ("FOGEI") and foreign oil related income ("FORI"). Under current law, FOGEI and FORI have separate foreign tax credit limitations. Because of these separate limitations, there is a potential for oil and gas companies to manipulate their extraction income in order to achieve beneficial results under U.S. foreign tax credit rules. The bill would eliminate this potential by combining FOGEI and FORI into a single category. This is a scaled-back version of a proposal that was included as part of H.R. 2776 (in August 2007) by a vote of 221 to 189 (with 9 House Republicans joining 212 House Democrats in support) and as part of H.R. 5351 (in February 2008) by a vote of 236 to 182 (with 17 House Republicans joining 219 House Democrats in support). This identical provision previously passed the House as part of H.R. 6 (in December 2007) by a vote of 235 to 181 (with 14 House Republicans joining 221 House Democrats in support). *This proposal is estimated to raise $2.230 billion over 10 years.*

Delay implementation of worldwide allocation of interest. In 2004, Congress provided taxpayers with an election to take advantage of a liberalized rule for allocating interest expense between United States sources and foreign sources for purposes of determining a taxpayer's foreign tax credit limitation. This election is not available to taxpayers until taxable years beginning after 2010. The bill would delay the phase-in of this new liberalized rule for seven years (for taxable years beginning after 2017). Special transition rules would apply in the first year that the liberalized rule phases in. The House of Representatives has voted on a bipartisan basis to delay the implementation of this future tax benefit in order to provide current tax relief numerous times: as part of H.R. 3221 by a vote of 272-152 (with 45 Republicans joining 227 Democrats — this bill became Public Law 110-289); as part of H.R. 3920 by a vote of 264 to 157 (with 38 House Republicans joining 226 House Democrats in support); as part of H.R. 3221 by a vote of 322 to 94 (with 95 House Republicans joining 227 House Democrats in support); and as part of H.R. 6049 by a vote of 263-160 (with 35 House Republicans joining 228 House Democrats in support). *This proposal is estimated to raise approximately $18.7 billion over 10 years.*

Current inclusion of deferred compensation paid by certain tax indifferent parties. The bill would tax individuals on a current basis if such individuals receive deferred compensation from a tax indifferent party. Current law generally allows executives and other employees to defer paying tax on compensation until the compensation is paid. This deferral is made possible by rules that require the corporation paying the deferred compensation to defer the deduction that relates to this compensation until the compensation is paid. Matching the timing of the deduction with the income inclusion ensures that the executive is not able to achieve the tax benefits of deferred compensation at the expense of the Treasury. Instead, the corporation paying the compensation bears the expense of paying deferred compensation as a result of the deferred deduction. Where an individual is paid deferred compensation by a tax indifferent party (such as an offshore corporation in a tax haven jurisdiction), there is no offsetting deduction that can be deferred. As a result, individuals receiving deferred compensation from a tax indifferent party are able to achieve the tax benefits of deferred compensation at the expense of the Treasury. This proposal previously passed the House of Representatives as part of H.R. 3996 (in November 2007) by a vote of 216 to 193 (with 216 House Democrats in support), as part of H.R. 4351 (in December 2007) by a vote of 226 to 193 (with 226 House Democrats in support), and as part of H.R. 6049 (in May 2008) by a vote of 263 to 160 (with 35 House Republicans joining with 228 House Democrats in support). *This proposal is estimated to raise $24.766 billion over 10 years.*