

**COMPARISON OF THE TAX INCENTIVES FOR NEW YORK CITY
UNDER CONSIDERATION BY THE HOUSE AND SENATE**

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



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JCX-89-01

INTRODUCTION

This document,¹ prepared by the staff of the Joint Committee on Taxation, compares the tax incentives for New York City that have been considered by the House of Representatives and the Senate. The House bill provisions refer to those provisions contained in Title III of H.R. 2884, the "Victims of Terrorism Tax Relief Act of 2001," which was passed by the House of Representatives on December 13, 2001. The Senate amendment refers to those provisions contained in an amendment in the nature of a substitute offered by Senator Baucus (amendment #2125) during the Senate consideration of H.R. 3090.

¹ This document may be cited as follows: Joint Committee on Taxation, "Comparison of the Tax Incentives for New York City Under Consideration by the House and Senate," (JCX-89-01), December 14, 2001.

COMPARISON OF THE TAX RELIEF PACKAGES FOR NEW YORK CITY AND OTHER DISTRESSED AREAS

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
1. Special depreciation allowance for certain property (sec. 301(a) of the House bill)	30-percent bonus depreciation deduction available through 2006 (2009 for buildings and residential rental property) for all tangible property and computer software used in NY Liberty Zone. ²	No provision.	
2. Treatment of leasehold improvements (sec. 301(b) of the House bill)	Shortens the depreciation recovery period through 2006 for leasehold improvements in the NY Liberty Zone to 5 years (but the improvements are not eligible for bonus depreciation).	No provision.	
3. Temporary increase in section 179 expensing (sec. 301(c) of the House bill)	Increases section 179 expensing by \$35,000 (and reduces the phasedown by 50%) for qualifying NY Liberty Zone property purchased before 2007.	No provision.	
4. Expansion of Work Opportunity Tax Credit targeted categories to include certain employees in New York City (sec. 301 of the Senate amendment)	No provision.	Creates a new targeted group of individuals employed by businesses in the NY Recovery Zone or who are employed within New York City due to destruction or damage to workplaces within the NY Zone; maximum credit is \$4,800 (40% of first \$12,000 of wages) for wages paid after Sept. 10, 2001, and through 2002.	

² The “New York Liberty Zone” is defined as the area located on or south of Canal St., East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in Manhattan. The Senate amendment uses the term “New York Recovery Zone” in referring to this area.

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
<p>5. Authorize issuance of tax-exempt private activity bonds for rebuilding the portion of New York City damaged in the Sept. 11, 2001 terrorist attack (sec. 301(d) of the House bill and sec. 302 of Senate amendment)</p>	<p>Authorizes issuance during 2002-04 of \$15 billion of tax-exempt private activity bonds to finance construction and rehabilitation of commercial and residential rental property in the NY Liberty Zone (eligible for MACRS and bonus depreciation); if the \$15 billion cannot be used in the zone, up to \$7 billion can be used elsewhere in New York City.</p>	<p>Similar to the House bill (though the property would not be subject to MACRS and the bonus depreciation), but the bonds must be issued during 2002 (subject to limited carryforward of unused authority). In addition, the bank carrying cost exception is waived with respect to such bonds.</p>	
<p>6. Incentive for reinvestment in New York City (sec. 301(e) of the House bill and sec. 303 of the Senate amendment)</p>	<p>Extends the period under sec. 1033 to replace property destroyed in the NY Liberty Zone to 5 years (i.e., through 2006) so long as the replacement property is used in New York City.</p>	<p>Allows a taxpayer to ignore insurance proceeds (and thus claim a loss) with respect to property damaged or destroyed in the NY Recovery Zone if qualified replacement property is purchased in New York City before 2007.</p>	
<p>7. Reenact exceptions for qualified mortgage bond financed loans to victims of Presidential declared disasters (sec. 304 of Senate amendment)</p>	<p>No provision.</p>	<p>Reenacts exception for qualified mortgage bond-financed loans made during two-year period following a Presidential disaster declaration; size limit for home improvement loans increased from \$15,000 to \$25,000 for repair or replacement of damaged or destroyed housing; available for bonds issued in 2002.</p>	
<p>8. One-year expansion of authority for Indian tribes to issue tax-exempt private activity bonds (sec. 305 of the Senate amendment)</p>	<p>No provision.</p>	<p>Permits qualified Indian tribal governments to issue up to \$10 million of tax-exempt private activity bonds during 2002 for (1) residential rental projects, (2) qualified mortgage bonds, and (3) businesses that would qualify as enterprise zone businesses.</p>	