

- Ways and Means Committee -

ESTIMATES OF REVENUE EFFECTS OF ITEMS REPORTED PURSUANT TO BUDGET RECONCILIATION INSTRUCTIONS--TITLE XI

Fiscal Years 1990-1994
[Millions of Dollars]

Item	1990	1991	1992	1993	1994	1990-94
I. ADMINISTRATION PROPOSALS*						
A. Suspend Airport & Airway Trust Fund tax reduction trigger until expiration of present taxes (effective January 1, 1990) (1).....	851	269	--	--	--	1,120
B. Loophole Closers:						
1. Characterize certain high-yield original issue discount (OID) obligations as preferred stock.....	25	51	94	131	160	461
2. Require consolidated computation of earnings and profits for corporations filing consolidated returns.....	27	69	123	170	224	613
3. Like-kind exchanges:						
a. Limit like-kind exchanges to similar use property.....	143	222	273	325	378	1,341
b. Restrict basis shifting techniques between related parties.....	100	120	130	140	151	641
c. Amend holding period requirements.....	(2)	(2)	(2)	(2)	(2)	(2)
4. Limit section 104 exclusion from income to amount received for personal injury.....	4	8	8	10	12	42
5. Tax pre-contribution gain on certain in-kind partnership distributions.....	9	20	26	31	36	122
6. Limit nonrecognition treatment when securities are received in certain section 351 transactions.....	105	165	168	159	81	678
Subtotals:	1,264	924	822	966	1,042	5,018
II. MODIFIED ADMINISTRATION PROPOSALS*						
A. Impose Oil Spill Liability Trust Fund petroleum tax (effective October 1, 1989, through December 31, 1991) at \$0.03 per barrel (cap at \$300 million), without waiting for authorizing legislation.....	69	122	41	--	--	232
B. Telephone Excise Tax						
1. Permanent extension.....	--	1,717	2,737	2,936	3,149	10,539
2. Modify collection period of tax (100% speedup, effective for taxes billed by service producers after June 30, 1990).....	102	-102	--	--	--	---
Subtotals:	171	1,737	2,778	2,936	3,149	10,771
III. OTHER PROVISIONS*						
A. Employee Stock Ownership Plans (ESOPs):						
1. Repeal partial exclusion for interest paid on ESOP loans (section 133) (generally effective June 7, 1989).....	1,008	1,258	1,663	2,036	2,369	8,334
2. Repeal the deduction for dividends paid on employer securities obtained by an ESOP (section 404(k)).....	307	404	536	657	765	2,669

Item	1990	1991	1992	1993	1994	1990-94
3. Impose 3-year holding period on seller to be eligible for tax-free rollover (section 1042).....	(2)	(2)	(2)	(2)	(2)	(2)
4. Repeal sections 2057, 2210, 415(c)(6), and 382(l)(3)(C).....	77	166	99	50	50	442
B. Repeal transition rule for certain high withholding tax interest (effective January 1, 1990).....	168	229	150	81	22	650
C. Repeal remaining portion of completed contract method of accounting.....	171	390	262	116	28	967
D. Corporate mergers and acquisitions:						
1. Certain transactions involving foreign and other tax-exempt investors:						
a. Limit interest deductions for earnings-stripping payments to related parties.....	28	38	44	47	49	206
b. Tax stock gains of certain foreign investors.....	2	5	6	35	50	98
2. Clarify Treasury regulation authority relating to bifurcation of an instrument into debt and equity portions (section 385).....	(2)	(2)	(2)	(2)	(2)	(2)
3. Require reporting to IRS of acquisitions and recapitalizations (effective on date of enactment).....	(2)	(2)	(2)	(2)	(2)	(2)
4. Require Treasury study of "debt versus equity" and integration issues.....	--	--	--	--	--	---
E. Permit limited use of excess pension funds to pay current retiree health benefits (effective January 1, 1990).....	286	465	176	(3)	(3)	927
F. Impose gasoline excise tax when gasoline is received at terminal (effective October 1, 1989).....	117	60	60	60	60	357
G. Require corporate estimated tax payments on tax liability for certain Subchapter S income (effective January 1, 1990).....	25	(2)	(2)	(2)	(2)	25
H. Impose income tax withholding on the wages of certain agricultural workers (effective January 1, 1990).....	270	68	21	22	23	404
I. Require regulated investment companies (mutual funds) to distribute 98% of ordinary income to their shareholders (effective for taxable years ending after July 10, 1989).....	50	5	5	5	5	70
J. Adjust basis for mutual fund load charge only if shareholder holds shares for 30 days.....	14	28	13	5	3	63
K. Reduce built-in gain or loss threshold of sections 382 and 384 to lesser of 15% or \$10 million.....	25	42	44	46	49	206
L. Increase enforceability of section 482 with respect to U.S. subsidiaries and branches of foreign corporations through improved reporting.....	60	80	85	90	95	410
M. Modify excess loss account recapture rules to prevent shifting of basis to debt.....	54	69	61	52	42	278
N. Require basis reduction for nontaxed portion of dividends on self-liquidating ("wasting") stock.....	6	10	11	12	13	52
O. Modify treatment of costs of acquiring franchises, trademarks, and trade names.....	75	135	173	203	225	811
P. Conform tax years of controlled foreign corporations and foreign personal holding companies to the tax years of their U.S. shareholders..	48	71	71	71	36	297
Q. Change the sourcing of foreign income of certain commonly-controlled nonconsolidated corporations.....	20	37	41	45	49	192
R. Limit nonrecognition treatment when securities are received by corporate transferors in certain section 351 transactions (effective July 11, 1989).....	52	83	84	80	40	339
S. Deny expensing for certain R&D not performed in the United States (effective for taxable years beginning after December 31, 1989).....	43	81	68	57	47	296

Item	1990	1991	1992	1993	1994	1990-94
T. Include dividends in income of RICs (regulated investment companies) on ex-dividend date (effective for ex-dividend dates after date of enactment).....	110	20	20	20	20	190
U. Deny retroactive certification of WIN credit.....	38	28	12	--	--	78
V. Deny amortization of life estate in related-party joint purchases.....	--	7	7	8	8	30
W. Treat cellular telephones and other similar telecommunications equipment as "listed property".....	2	10	14	18	24	68
X. Require reporting of mortgage points by lender.....	2	5	5	5	5	22
Subtotals:	3,058	3,794	3,731	3,821	4,077	18,481

IV. CHILD CARE PROVISIONS

A. Expanded Earned Income Tax Credit (effective January 1, 1991):						
1. Adjustments for family size (3+):						
phasein 17%, 21%, 25%; phaseout 12%, 15%, 18%.....	--	-296	-2,878	-3,092	-3,315	-9,581
2. Supplemental for children under 6 years old:						
phasein 6%; phaseout 4.25%.....	--	-119	-1,194	-1,274	-1,358	-3,945
B. Expansion of Title XX Block Grant for Child Care Services (4).....	-120	-266	-362	-394	-400	-1,542
Subtotals:	-120	-681	-4,434	-4,760	-5,073	-15,068

V. EXPIRING PROVISIONS

A. Temporary Extensions (through December 31, 1991)	Code Section	Current-Law Expiration						
1. Employer-provided education assistance.....	Sec. 127	12/31/88	-439	-316	-96	--	--	-851
2. Targeted jobs tax credit.....	Sec. 51	12/31/89	-47	-134	-144	-80	-37	-442
3. Mortgage revenue bonds.....	Sec. 143	12/31/89	-11	-55	-117	-145	-143	-471
4. Small-issue manufacturing bonds.....	Sec. 144	12/31/89	-7	-39	-80	-78	-76	-280
5. Business energy credits for geothermal property.....	Sec. 46	12/31/89	-44	-60	-18	4	3	-115
6. Health insurance for self-employed.....	Sec. 162(1)	12/31/89	-244	-411	-151	--	--	-806
B. Permanent Extensions								
1. Low-income housing credit (with modifications). Sec. 42		12/31/89	-80	-335	-685	-1,067	-1,460	-3,627
2. Research and experimentation credit (with modifications).....	Sec. 41	12/31/89	-398	-782	-968	-1,063	-1,194	-4,406
3. Research and experimentation cost allocation rules (64% allocation; effective for taxable years beginning after August 1, 1989).....	Sec. 864(f)	+	-335	-625	-708	-772	-837	-3,277
Subtotals:			-1,605	-2,757	-2,967	-3,201	-3,744	-14,275

VI. SUBCOMMITTEE-RELATED ITEMS

A. Penalty Reform.....	--	-51	-82	-58	-25	-216
B. Permit Use of Tax Return Information by Department of Veterans Affairs..	--	--	--	--	--	---
C. Corporate Alternative Minimum Tax						
1. Eliminate book backstop.....	-388	-590	-575	-538	-560	-2,650
2. Adjust regular and alternative minimum tax treatment of installment sales of timeshares and residential lots by C corporations.....	-9	-12	-8	-4	-4	-37
3. Allow exclusion preferences as credits.....	--	-24	-61	-92	-119	-296
4. Allow ORD from ACE for 80% or more stock ownership.....	-5	-7	-6	-5	-5	-28
5. Other changes.....	(5)	(5)	(5)	(5)	(5)	(5)

Item	1990	1991	1992	1993	1994	1990-94
6. Allow DRD from ACE for 20%-80% stock ownership.....	-15	-24	-20	-17	-14	-90
7. Eliminate individual R&E preference for all non-corporate entities if material participation by owner/partner (effective January 1, 1991).....	--	-4	-14	-14	-14	-46
8. Allow residential construction firms to use CCM for AMT.....	--	-5	-5	-5	-5	-20
9. Permit certain corporations with 100% foreign income to use 100% of foreign tax credits for AMT purposes (income earned after March 31, 1990).....	-2	-5	-5	-5	-5	-22
10. Exclude certain cooperative FSCs from AMT (effective for taxable years beginning after December 31, 1989).....	-2	-3	-3	-3	-3	-14
11. Allow carryover of orphan drug credit for minimum tax purposes.....	-1	-2	-1	-1	--	-5
D. Rehabilitation Tax Credit						
1. Provide exception from income phaseout of passive loss rule \$25,000 exemption.....	-8	-21	-29	-39	-48	-145
2. Treat relocated buildings as qualifying property.....	-2	--	--	--	--	-2
Subtotals:	-432	-748	-809	-781	-802	-3,571
VII. REVENUE-RAISING ITEMS APPROVED SEPTEMBER 14, 1989						
A. Impose tax on ozone-depleting chemicals (effective January 1, 1990) (6).	384	560	753	1,171	1,442	4,310
B. Modify collection period of airline ticket tax (effective for tax billed after June 30, 1990).....	56	-27	2	2	2	35
C. Payroll tax speedup for large companies (\$1 million threshold; effective after December 31, 1993).....	--	--	--	--	1,775	1,775
D. Limit corporate net operating loss carrybacks in certain circumstances..	226	406	420	384	343	1,779
E. Allow issuers of certain qualified mortgage bonds additional time to elect to rebate arbitrage.....	2	2	1	(3)	(3)	5
F. Close loophole for investment-oriented life insurance contracts.....	(3)	(3)	1	1	1	3
G. Treat foreign dividends and subpart F inclusions as unrelated business taxable income.....	(2)	(2)	(2)	(2)	(2)	(2)
H. Impose restrictions on hedge bonds.....	3	8	14	23	29	77
Subtotals:	671	949	1,191	1,581	3,592	7,984
VIII. CAPITAL GAINS						
A. 30% capital gains exclusion for dispositions from September 14, 1989 through December 31, 1991.....	2,871	3,813	2,733	-5,506	-4,788	-877
B. Indexation of the cost basis of certain capital assets acquired after December 31, 1991 (7).....	(3)	(3)	(3)	-96	-212	-308
C. Provide for a maximum tax rate on long-term capital gains of 28% beginning on January 1, 1992 (8).....	--	--	-36	-121	-177	-334
Subtotals:	2,871	3,813	2,697	-5,723	-5,177	-1,519
IX. MISCELLANEOUS ITEMS						
A. Repeal section 89 and impose certain nondiscrimination restrictions on executive-only plans and professional service organizations (9).....	-106	-78	-85	-93	-101	-483
B. Modify treatment of certain timber activities of individuals under the passive loss rules (effective January 1, 1990).....	-11	-38	-40	-42	-44	-175

Item	1990	1991	1992	1993	1994	1990-94
C. Modify treatment of safe-harbor leases entered into by rural electric cooperatives.....	-12	-7	-7	-7	-6	-39
D. Require exercise of Treasury regulatory authority with respect to full-funding limitation on a revenue-neutral basis.....	--	--	--	--	--	---
E. Allow use of multifamily residential rental bonds for transitional housing.....	--	--	-1	-2	-2	-5
F. Modify interest allocation rules for foreign tax credit limitation purposes for certain financial services companies.....	-8	-12	-15	-15	-15	-65
G. Modify placed-in-service date for certain tax-exempt bond-financed property.....	(3)	(3)	(3)	(3)	(3)	(3)
H. Provide for nonrecognition of capital gains on divestments of property pursuant to Federal ethics requirements.....	(3)	(3)	(3)	(3)	(3)	(3)
I. Exempt from corporate-level tax certain distributions made by cooperative housing corporations (effective September 14, 1989).....	-26	-33	-36	-39	-43	-177
J. Eliminate the excise tax imposed on the Inactive Polio Vaccine, conditioned upon the action of the Energy and National Resources Committee.....	--	--	--	--	--	---
K. Modify rules affecting lump-sum distributions by certain pension plans..	(3)	(3)	(3)	(3)	(3)	(5)
L. Provide a 2-1/2 month rule for distributions by foreign personal holding companies.....	(3)	(3)	(3)	(3)	(3)	(3)
M. Expand 6-month exception to tax-exempt bond arbitrage rebate rules.....	-5	-11	-16	-19	-23	-74
N. Increase Joint Committee on Taxation refund review threshold to \$1 million (effective on date of enactment).....	--	--	--	--	--	---
O. Require Treasury study of IRS private letter ruling process.....	--	--	--	--	--	---
Subtotals:	-168	-179	-200	-217	-234	-1,018
X. TECHNICAL CORRECTIONS.....	-5	-12	-11	-7	-7	-42
GRAND TOTALS.....	5,705	6,840	2,798	-5,385	-3,177	6,761

September 18, 1989

NOTE: The order of the revenue table provisions does not correspond to the order of the Committee Report explanations.

- * Effective for transactions after July 10, 1989, unless otherwise noted.
- + Rules expire 4 months after start of a firm's first tax year beginning after August 1, 1987.
- (1) Estimate assumes suspension of trigger with no impact beyond scheduled expiration date of taxes of December 31, 1990.
- (2) Gain of less than \$5 million.
- (3) Negligible.
- (4) Outlay estimates were provided by the Congressional Budget Office.
- (5) Loss of less than \$5 million.
- (6) Estimate covers only Montreal Protocol chemicals.
- (7) Estimate assumes enactment of item VIII.A.
- (8) Estimate assumes enactment of items VIII.A. and VIII.B.
- (9) Estimate total includes a loss of \$20 million in FY 1989.