

**COMPARISON OF CERTAIN PROVISIONS OF H.R. 4520 AS PASSED BY THE  
HOUSE OF REPRESENTATIVES AND AS AMENDED BY THE SENATE:**

**EXPIRING PROVISIONS**

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**JOINT COMMITTEE ON TAXATION**



September 29, 2004  
JCX-66-04

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## INTRODUCTION

On June 17, 2004, the House of Representatives passed H.R. 4520, the “American Jobs Creations Act of 2004.” On July 15, 2004, the Senate amended H.R. 4520 by substituting the text and title of S. 1637, the “Jumpstart Our Business Strength (JOBS) Act,”<sup>1</sup> and an additional non-tax amendment.

The House bill and the Senate amendment each repeal the extraterritorial income exclusion provisions of present law, provide provisions to reduce the effective income tax imposed on income earned from certain domestic production activities, and make numerous other changes to the Internal Revenue Code. This document,<sup>2</sup> prepared by the staff of the Joint Committee on Taxation, compares provisions that extend certain expired or expiring provisions of present law.

In this publication set,<sup>3</sup> (JCX-61-04 to JCX-66-04), the staff of the Joint Committee on Taxation compares provisions of H.R. 4520 as passed by the House of Representatives and as amended by the Senate relating to the repeal of the extraterritorial income exclusions, domestic production, corporate income tax rates applicable to small corporations, tax incentives for manufacturers, small

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<sup>1</sup> The Senate originally passed S. 1637 on May 11, 2004.

<sup>2</sup> This document may be cited as follows: Joint Committee on Taxation, *Comparison of Certain Provisions of H.R. 4520 as Passed by the House of Representatives and as Amended by the Senate: Expiring Provisions* (JCX-66-04), September 29, 2004.

<sup>3</sup> Joint Committee on Taxation, *Comparison of Certain Provisions of H.R. 4520 as Passed by the House of Representatives and as Amended by the Senate: Provisions Relating to the Repeal of the Exclusion for Extraterritorial Income, Domestic Production, and the Corporate Income Tax Rates Applicable to Small Corporations* (JCX-61-04), September 29, 2004; Joint Committee on Taxation, *Comparison of Certain Provisions of H.R. 4520 as Passed by the House of Representatives and as Amended by the Senate: Job Creation Tax Incentives for Manufacturing, Small Business, and Farming* (JCX-62-04), September 29, 2004; Joint Committee on Taxation, *Comparison of Certain Provisions of H.R. 4520 as Passed by the House of Representatives and as Amended by the Senate: Provisions Relating to International Tax Reform and Simplification for United States Businesses* (JCX-63-04), September 29, 2004; Joint Committee on Taxation, *Comparison of Certain Provisions of H.R. 4520 as Passed by the House of Representatives and as Amended by the Senate: Revenue Provisions* (JCX-64-04), September 29, 2004; Joint Committee on Taxation, *Comparison of Certain Provisions of H.R. 4520 as Passed by the House of Representatives and as Amended by the Senate: Alcohol Fuels and Fuel Fraud Provisions* (JCX-65-04), September 29, 2004; and Joint Committee on Taxation, *Comparison of Certain Provisions of H.R. 4520 as Passed by the House of Representatives and as Amended by the Senate: Expiring Provisions* (JCX-66-04), September 29, 2004.

businesses and farming, international tax reform and simplification for United States businesses, alcohol fuels and fuel fraud, expiring provisions, and certain revenue raising provisions.

On September 23, 2004, the House of Representatives and the Senate both passed H.R. 1308, the conference report for the “Working Families Tax Relief Act of 2004”, which included extensions of many of the expiring provisions described in this document. H.R. 1308 has not been signed into law as of the time of publication of this document, so this document does not reflect H.R. 1308.

Provision	Present Law	House Bill	Senate Amendment
<p><b>A. Nonrefundable Personal Credits Allowed Against the Alternative Minimum Tax (“AMT”) (sec. 401 of the House bill and sec. 713 of the Senate amendment)</b></p>	<p>Nonrefundable personal credits (other than child credit, adoption credit, and saver’s credit) are not allowed to offset the AMT in taxable years beginning after 2003.</p>	<p>Allows all nonrefundable personal credits against the AMT.</p> <p><u>Effective date.</u>—Taxable years beginning in 2004 and 2005.</p>	<p>Same as the House bill.</p> <p><u>Effective date.</u>—Taxable years beginning in 2004.</p>
<p><b>B. Extension and Modification of the Research Credit (sec. 402 of the House bill and secs. 311 and 312 of the Senate amendment)</b></p>	<p>Section 41 provides for a research tax credit equal to 20 percent of the amount by which a taxpayer’s qualified research expenses for a taxable year exceed its base amount for that year. Taxpayers may elect an alternative incremental research credit regime in which the taxpayer is assigned a three-tiered fixed-base percentage and the credit rate likewise is reduced. Under the alternative credit regime, a credit rate of 2.65 percent applies to the extent that a taxpayer’s current-year research expenses exceed a base amount computed by using a fixed-base percentage of one percent but do not exceed a base amount computed by using a fixed-base percentage of 1.5 percent. A credit rate of 3.2 percent applies to the extent that a taxpayer’s current-year research expenses exceed a base amount computed by using a</p>	<p>Extends the present-law research credit to qualified amounts paid or incurred before January 1, 2006.</p>	<p>Same as House bill with respect to extension of the present-law research credit. In addition, makes the following modifications:</p> <p>(1) Increases the credit rates of the alternative incremental credit to 3.0 percent, 4.0 percent, and 5.0 percent.</p> <p>(2) Creates a third alternative for taxpayers, the alternative simplified credit. The taxpayer may elect to claim a credit equal to 12 percent of qualified research expenses in excess of 50 percent of the average qualified research expenses for the preceding three taxable years.</p> <p>(3) Permits taxpayers to claim a credit equal to 20 percent of amounts paid to certain research consortia.</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>fixed-base percentage of 1.5 percent but do not exceed a base amount computed by using a fixed-base percentage of two percent. A credit rate of 3.75 percent applies to the extent that a taxpayer's current-year research expenses exceed a base amount computed by using a fixed-base percentage of two percent.</p> <p>The research tax credit expired and generally will not apply to amounts paid or incurred after June 30, 2004.</p>	<p><u>Effective date.</u>—Effective for amounts paid or incurred after June 30, 2004.</p>	<p>(4) Permits taxpayers to include 100 percent of contract research expenses (rather than 65 percent) if the contractor is an eligible small business, a college or university, or a Federal laboratory.</p> <p><u>Effective date.</u>—With respect to extension of the present-law research credit the provision is effective for amounts paid or incurred after the date of enactment.</p> <p>With respect to the increase in the alternative incremental credit and the alternative simplified credit the provisions are effective for taxable years beginning after December 31, 2004.</p> <p>With respect to payments to research consortia and certain contract research the provisions are effective for amounts paid or incurred after December 31, 2004.</p>

Provision	Present Law	House Bill	Senate Amendment
<p><b>C. Extension of Credit for Electricity Produced from Certain Renewable Resources (sec. 403 of the House bill and secs. 714 and 801 of the Senate amendment)</b></p>	<p>An income tax credit is allowed for the production of electricity from either qualified wind energy, qualified “closed-loop” biomass, or qualified poultry waste facilities. The amount of the credit is 1.8 cents per kilowatt hour for 2004. The credit amount is indexed for inflation.</p> <p>The credit applies to electricity produced by a wind energy facility placed in service after December 31, 1993, and before January 1, 2004, to electricity produced by a closed-loop biomass facility placed in service after December 31, 1992, and before January 1, 2004, and to a poultry waste facility placed in service after December 31, 1999, and before January 1, 2004. The credit is allowable for production during the 10-year period after a facility is originally placed in service.</p>	<p>Extends the placed-in-service date for wind facilities and closed-loop biomass facilities to facilities placed in service after December 31, 1993 (December 31, 1992 in the case of closed-loop biomass facilities) and before January 1, 2006. Does not extend the placed-in-service date for poultry waste facilities.</p> <p><u>Effective date.</u>—Effective for facilities placed in service after December 31, 2003.</p>	<p>With respect to extension of the present-law credit, extends the placed-in-service date for wind, closed-loop biomass, and poultry waste facilities to facilities placed in service prior to January 1, 2007.</p> <p>(Sec. 714 of the Senate amendment extends the present-law credit placed-in-service date through December 31, 2004. Sec. 801 of the Senate amendment further extends the placed-in-service date through December 31, 2006 and would also expand the definition of qualified facilities and make certain other modifications to the operation of credit. These expansions and modifications are not described in this document.)</p> <p><u>Effective date.</u>—With respect to the extension of the placed-in-service dates, generally effective for facilities placed in service after December 31, 2003.</p>
<p><b>D. Indian Employment Tax Credit (sec. 404 of the House bill and sec. 716 of the Senate amendment)</b></p>	<p>Employers are allowed to claim a credit with respect to the employment of certain Native Americans. The credit does not</p>	<p>Extends the wage credit through December 31, 2005.</p> <p><u>Effective date.</u>—Date of enactment.</p>	<p>Same as the House bill.</p>



Provision	Present Law	House Bill	Senate Amendment
	apply to taxable years beginning after December 31, 2004.		
<p><b>E. Extension of the Work Opportunity Tax Credit (sec. 405 of the House bill and sec. 702 of the Senate amendment)</b></p>	<p>The work opportunity tax credit (“WOTC”) is available on an elective basis for employers hiring individuals from one or more of eight targeted groups. The credit equals 40 percent (25 percent for employment of 400 hours or less) of qualified wages. Generally, qualified wages are wages attributable to service rendered by a member of a targeted group during the one-year period beginning with the day the individual began work for the employer.</p> <p>The maximum credit per employee is \$2,400 (40 percent of the first \$6,000 of qualified first-year wages). With respect to qualified summer youth employees, the maximum credit is \$1,200 (40 percent of the first \$3,000 of qualified first-year wages).</p> <p>The credit is effective for wages paid or incurred to a qualified individual who begins work for an employer before January 1, 2004.</p>	<p>The House bill extends the WOTC for two years (through December 31, 2005).</p>	<p>Permanently extends the WOTC.</p> <p>Also makes the following modifications to the WOTC:</p> <p>(1) Repeals the requirement that a qualified ex-felon be a member of an economically disadvantaged family for purposes of eligibility for the tax credit.</p> <p>(2) Expands the category of vocational rehabilitation referrals to include certain individuals who have a physical or mental disability that constitutes a substantial handicap to employment and who are receiving vocational services or have completed an individual work plan developed by a private employment network as defined under section 1148(f) of the Social Security Act qualify as members of the vocational rehabilitation referral targeted group.</p> <p>(3) Increases the age limit for qualified food stamp recipients. Therefore a food stamp recipient is</p>

Provision	Present Law	House Bill	Senate Amendment
		<p><u>Effective date.</u>—Wages paid or incurred for individuals beginning work after December 31, 2003.</p>	<p>an individual aged 18 but not aged 40 certified as being a member of a family either currently or recently receiving assistance under an eligible food stamp program and</p> <p>(4) Increases the age limit for high-risk youths. Therefore a high-risk youth is an individual aged 18 but not aged 40 having a principal place of abode within an empowerment zone, enterprise community, or renewal community.</p> <p><u>Effective date.</u>—The extension is effective for wages paid or incurred for individuals beginning work after December 31, 2003. The modifications are effective for wages paid or incurred for individuals beginning work after December 31, 2004.</p>
<p><b>F. Extension of the Welfare-to-Work Tax Credit (sec. 406 of the House bill and sec. 702 of the Senate amendment)</b></p>	<p>The welfare-to-work tax credit (“WWTC”) is available on an elective basis for employers for the first \$20,000 of eligible wages paid to qualified long-term family assistance recipients during the first two years of employment. The credit is 35 percent of the first \$10,000 of eligible wages in the</p>	<p>Extends the WWTC for two years (through December 31, 2005).</p> <p><u>Effective date.</u>—Wages paid or incurred for individuals beginning work after December 31, 2003.</p>	<p>Permanently extends the WWTC.</p> <p><u>Effective date.</u>—Wages paid or incurred for individuals beginning work after December 31, 2003.</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>first year of employment and 50 percent of the first \$10,000 of eligible wages in the second year of employment. The maximum credit is \$8,500 per qualified employee.</p> <p>The welfare-to-work credit is effective for wages paid or incurred to a qualified individual who begins work for an employer before January 1, 2004.</p>		
<p><b>G. Combination and Modification of the Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit (sec. 703 of the Senate amendment)</b></p>	<p>Same as items E and F, above.</p>	<p>No provision.</p>	<p>Combines and modifies the work opportunity and welfare-to-work tax credits with the following modifications:</p> <p>The combined credit uses the WOTC definition of wages. In the case of first-year wages for long-term family assistance recipients the maximum credit is increased to \$4,000 (40 percent of the first \$10,000 of qualified first-year wages).</p> <p>The combined credit uses the WOTC definition for the minimum employment period (i.e., the combined credit is not allowed for qualified wages paid to employees who work less than 120 hours in the first year of employment).</p>

Provision	Present Law	House Bill	Senate Amendment
			<u>Effective date.</u> —Wages paid or incurred for individuals beginning work after December 31, 2004.
<b>H. Certain Expenses of Elementary and Secondary School Teachers (sec. 407 of the House bill and sec. 707 of the Senate amendment)</b>	An above-the-line deduction is allowed for certain expenses of eligible educators for taxable years beginning prior to January 1, 2004.	Extends the above-the-line deduction for two years.  <u>Effective date.</u> —Taxable years beginning in 2004 and 2005.	Same as the House bill.  <u>Effective date.</u> —Taxable years beginning in 2004 and 2005.
<b>I. Accelerated Depreciation for Business Property on Indian Reservations (sec. 408 of the House bill and sec. 717 of the Senate amendment)</b>	The Code provides special depreciation periods for qualified Indian reservation property. These periods apply to property placed in service before January 1, 2005.	Extends eligibility for the special depreciation periods to property placed in service before January 1, 2006.  <u>Effective date.</u> —Date of enactment.	Same as the House bill.
<b>J. Charitable Contributions of Computer Technology and Equipment Used for Educational Purposes and of Scientific Property Used for Research (sec. 409 of the House bill and sec. 706 of the Senate amendment)</b>	A deduction for charitable contributions of computer technology and equipment and of scientific property used for research generally is limited to the taxpayer's basis in the property. However, certain corporations may claim a deduction in excess of basis for a qualified computer contribution or a qualified research contribution. To be eligible for the enhanced deduction, the contributed property must be constructed by the taxpayer, among	Extends the enhanced deduction for qualified computer contributions to contributions made during any taxable year beginning before January 1, 2006.	Expands the enhanced deduction for qualified computer contributions and qualified research contributions to apply to property assembled by the taxpayer as well as property constructed by the taxpayer.  The extension of the enhanced deduction for qualified computer contributions is the same as the House bill.

Provision	Present Law	House Bill	Senate Amendment
	other requirements. The enhanced deduction for qualified computer contributions expired for contributions made during any taxable year beginning after December 31, 2003.	<u>Effective date.</u> —Taxable years beginning after December 31, 2003.	<u>Effective date.</u> —Taxable years beginning after December 31, 2003.
<b>K. Expensing of Environmental Remediation Costs (sec. 410 of the House bill and sec. 708 of the Senate amendment)</b>	<p>Taxpayers can elect to treat certain environmental remediation expenditures that would otherwise be chargeable to capital account as deductible in the year paid or incurred. The deduction applies for both regular and alternative minimum tax purposes. The expenditure must be incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site (so called “brownfields”).</p> <p>Eligible expenditures are those paid or incurred before January 1, 2004.</p>	<p>Extends the present law expensing provision for two years (through December 31, 2005).</p> <p><u>Effective date.</u>—Effective for expenses paid or incurred after December 31, 2003.</p>	Same as the House bill.
<b>L. Availability of Archer Medical Savings Accounts (sec. 411 of the House bill)</b>	After 2003, no new contributions may be made to Archer MSAs except by or on behalf of individuals who previously made (or had made on their behalf) Archer MSA contributions and	<p>Extends Archer MSAs through December 31, 2005.</p> <p><u>Effective date.</u>—January 1, 2004.</p>	No provision.

Provision	Present Law	House Bill	Senate Amendment
	employees who are employed by a participating employer.		
<p><b>M. Suspension of 100-Percent-of-Net-Income Limitation on Percentage Depletion for Oil and Gas from Marginal Wells (sec. 412 of the House bill and secs. 715 and 846 of the Senate amendment)</b></p>	<p>Percentage depletion method for oil and gas properties applies to independent producers and royalty owners. Generally, under the percentage depletion method, 15 percent of the taxpayer's gross income from an oil- or gas-producing property is allowed as a deduction in each taxable year. The amount deducted generally may not exceed 100 percent of the net income from the property in any year (the "net-income limitation"). The 100-percent net-income limitation for marginal wells is suspended for taxable years beginning after December 31, 1997, and before January 1, 2004.</p>	<p>Extends the suspension of the net-income limitation for marginal wells for taxable years beginning before January 1, 2006.</p> <p><u>Effective date.</u>—Taxable years beginning after December 31, 2003.</p>	<p>Extends the suspension of the net-income limitation for marginal wells for taxable years beginning before January 1, 2007.</p> <p>(Sec. 715 of the Senate amendments extends the suspension of the net-income limitation for taxable years beginning before January 1, 2005. Sec. 846 of the Senate amendment further extends the suspension of the net-income limitation for taxable years beginning before January 1, 2007.)</p> <p><u>Effective date.</u>—Same as the House bill.</p>
<p><b>N. Qualified Zone Academy Bonds (sec, 413 of the House bill, and secs. 612 and 704 of the Senate amendment)</b></p>	<p>Generally, "qualified zone academy bonds" are bonds issued by a State or local government, provided that at least 95 percent of the proceeds are used for one or more qualified purposes with respect to a "qualified zone academy" and private entities have promised to contribute to the qualified zone academy certain</p>	<p>Authorizes \$400 million of qualified zone academy bonds to be issued in 2004 and 2005.</p>	<p>Authorizes \$400 million of qualified zone academy bonds to be issued in 2004 and 2005. Expands qualified purposes for qualified zone academy bonds to include construction of the public school facility in which the qualified zone academy is established, and the acquisition of</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>equipment, technical assistance or training, employee services, or other property or services with a value equal to at least 10 percent of the bond proceeds. Qualified purposes with respect to any qualified zone academy are: (1) rehabilitating or repairing the public school facility in which the academy is established; (2) providing equipment for use at such academy; (3) developing course materials for education at such academy; and (4) training teachers and other school personnel. A total of \$400 million of qualified zone academy bonds was authorized to be issued annually in calendar years 1998 through 2003.</p>	<p><u>Effective date.</u>—Obligations issued after the date of enactment.</p>	<p>land on which the facility is to be constructed.</p> <p><u>Effective date.</u>—Obligations issued after December 31, 2003.</p>
<p><b>O. Tax Incentives for Investment in the District of Columbia (sec. 414 of the House bill and sec. 711 of the Senate amendment)</b></p>	<p>Certain economically depressed census tracts within the District of Columbia are designated as the District of Columbia Enterprise Zone (the “D.C. Zone”) within which businesses and individual residents are eligible for special tax incentives. The designation expired on December 31, 2003.</p> <p>First-time homebuyers of a principal residence in the District</p>	<p>Extends the D.C. Zone designation and related tax incentives for two years. Extends the first-time homebuyer credit for two years.</p> <p><u>Effective date.</u>—Date of enactment, except that the provision relating to tax-exempt financing incentives applies to obligations issued after December 31, 2003.</p>	<p>Same as the House bill.</p> <p><u>Effective date.</u>—January 1, 2004, except that the provision relating to tax-exempt financing incentives applies to obligations issued after the date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>of Columbia are eligible for a nonrefundable tax credit of up to \$5,000 of the amount of the purchase price. The credit expired for property purchased after December 31, 2003.</p>		
<p><b>P. New York Liberty Zone Provisions</b></p> <p><b>1. Modifications to New York Liberty Zone bond provisions (sec. 415 of the House bill and secs. 611 and 709 of the Senate amendment)</b></p>	<p>An aggregate of \$8 billion in tax-exempt private activity bonds is authorized for the purpose of financing the construction and repair of infrastructure in New York City (“Liberty Zone bonds”). The bonds must be issued before January 1, 2005.</p> <p>Certain bonds used to fund facilities located in New York City are permitted one additional advance refunding before January 1, 2005 (“advance refunding bonds”). In addition to satisfying other requirements, the bond refunded must be: (1) a State or local bond that is a general obligation of New York City; (2) a State or local bond issued by the New York Municipal Water Finance Authority or Metropolitan Transportation Authority of the</p>	<p>Extends authority to issue Liberty Zone bonds through December 31, 2009.</p> <p><u>Effective date.</u>—Date of enactment.</p>	<p>Same as the House bill.</p> <p>Extends the additional advance refunding authority through December 31, 2005.</p> <p><u>Effective date.</u>—Date of enactment.</p> <p>Provides that bonds of the Municipal Assistance Corporation are eligible for advance refunding.</p> <p><u>Effective date.</u>—Effective as if included in the amendments made by section 301 of the Job Creation and Worker Assistance Act of 2002.</p>



Provision	Present Law	House Bill	Senate Amendment
	<p>City of New York; or (3) a qualified 501(c)(3) bond which is a qualified hospital bond issued by or on behalf of the State of New York or the City of New York. The maximum amount of advance refunding bonds is \$9 billion.</p>		
<p><b>2. Qualified New York Liberty Zone leasehold improvement election out (sec. 709(c) of the Senate amendment)</b></p>	<p>Qualified New York Liberty Zone leasehold improvements placed in service after September 10, 2001 and before January 1, 2007, are depreciable over five years (rather than 39 years) using the straight line method of depreciation. There is no election out of this provision.</p> <p>Liberty Zone leasehold improvements that are eligible for a five-year recovery period are not also eligible for the 30-percent first-year bonus depreciation under section 168(k) or 1400L(b). A taxpayer may elect out of bonus depreciation. The election out is made on a year-by-year basis at the property class level. Thus, all property placed in service in the tax year of the election, in a class for which the election is made, is excluded from bonus depreciation (sec.168(k)(2)(C)(iii)).</p>	<p>No provision.</p>	<p>Permits a taxpayer to elect-out of the five-year recovery period for qualified New York Liberty Zone leasehold improvement property under rules similar to section 168(k)(2)(C)(iii).</p> <p><u>Effective date.</u>—Effective as if included in the amendments made by section 301 of the Job Creation and Worker Assistance Act of 2002.</p>

Provision	Present Law	House Bill	Senate Amendment
<p><b>Q. Disclosures Relating to Terrorist Activities (sec. 416 of the House bill)</b></p>	<p>If the IRS wishes to apprise a Federal law enforcement agency of terrorist activities, the IRS may disclose a taxpayer's identity and return information to the head of such agency. Upon receiving a written request meeting certain requirements, the IRS may disclose return information relating to terrorist activities to officers or employees of Federal law enforcement or a Federal intelligence agency. A court order is necessary for law enforcement and intelligence agency personnel to obtain the disclosure of returns and return information filed by the taxpayer himself. Disclosure authority relating to terrorist activities expired December 31, 2003.</p>	<p>Extends all disclosure authority relating to terrorist activities through December 31, 2005.</p> <p><u>Effective date.</u>—Disclosures made on or after the date of enactment.</p> <p>Makes a technical correction to permit the disclosure of taxpayer identity upon receiving a proper written request from the head of a Federal law enforcement agency.</p> <p><u>Effective date.</u>—As if included in section 201 of the Victims of Terrorism Tax Relief Act of 2001.</p>	<p>No provision.</p>
<p><b>R. Disclosure of Return Information Relating to Student Loans (sec. 417 of the House bill and sec. 718 of the Senate amendment)</b></p>	<p>An exception to the general rule prohibiting disclosure is provided for disclosure to the Department of Education (but not to contractors thereof) to establish an appropriate repayment amount for an applicable student loan. The Department of Education</p>	<p>Extends the disclosure authority relating to the disclosure of return information to carry out income-contingent repayment of student loans. No disclosures can be made after December 31, 2005.</p>	<p>Same as the House bill.</p>

Provision	Present Law	House Bill	Senate Amendment
	disclosure authority is scheduled to expire after December 31, 2004.	<u>Effective date.</u> —Date of enactment.	
<p><b>S. Extension of Cover Over of Excise Tax on Distilled Spirits to Puerto Rico and Virgin Islands (sec. 418 of the House bill and sec. 705 of the Senate amendment)</b></p>	<p>A \$13.50 per proof gallon (a proof gallon is a liquid gallon consisting of 50 percent alcohol) excise tax is imposed on distilled spirits produced in or imported into the United States.</p> <p>The Code provides for cover over (payment) to Puerto Rico and the Virgin Islands of the excise tax imposed on rum imported into the United States, without regard to the country of origin. The amount of the cover over is limited under section 7652(f) to \$10.50 per proof gallon (\$13.25 per proof gallon during the period July 1, 1999 through December 31, 2003).</p> <p>Thus, tax amounts attributable to rum produced in Puerto Rico are covered over to Puerto Rico. Tax amounts attributable to rum produced in the Virgin Islands are covered over to the Virgin Islands. Tax amounts attributable to rum produced in neither Puerto Rico nor the Virgin Islands are divided and covered over to the two possessions under a formula. All</p>	<p>Temporarily suspends the \$10.50 per proof gallon limitation on the amount of excise taxes on rum covered over to Puerto Rico and the Virgin Islands. Under the proposal, the cover over amount of \$13.25 per proof gallon is extended for rum brought into the United States after December 31, 2003 and before January 1, 2006. After December 31, 2005, the cover over amount reverts to \$10.50 per proof gallon.</p> <p><u>Effective date.</u>—Articles brought into the United States after December 31, 2003.</p>	<p>Same as the House bill.</p>

Provision	Present Law	House Bill	Senate Amendment
	of the amounts covered over are subject to the limitation.		
<b>T. Joint Review of Strategic Plans and Budget for the IRS (sec. 419 of the House bill)</b>	The Joint Committee on Taxation was required to conduct a joint review of the strategic plans and budget of the IRS from 1999 through 2003. The Joint Committee also was required to provide an annual report from 1999 through 2003 with respect to certain items.	The Joint Committee on Taxation is required to conduct a joint review before June 1, 2005 and to provide an annual report before June 1, 2005. The content of the annual report is the matters addressed in the joint review.  <u>Effective date.</u> —Date of enactment.	No provision.
<b>U. Extension of Parity in the Application of Certain Limits to Mental Health Benefits (sec. 420 of the House bill and sec. 701 of the Senate amendment)</b>	ERISA, the Public Health Service Act (“PHSA”), and the Code impose the requirement that group health plans which provide both medical and surgical benefits and mental health benefits cannot impose aggregate lifetime or annual dollar limits on mental health benefits that are not imposed on substantially all medical and surgical benefits.  The Code imposes an excise tax on group health plans that fail to meet the requirements. The excise tax is \$100 day during the period of noncompliance and is generally imposed on the employer sponsoring the plan. The	Extends the Code provisions to benefits for services furnished after the date of enactment and before January 1, 2006.  <u>Effective date.</u> —Benefits for services furnished on or after December 31, 2003.	Same as the House bill with respect to the extension of the Code provisions.  Extends the ERISA and PHSA provisions to benefits for services furnished before January 1, 2006.  <u>Effective date.</u> —The provision extending the Code provision applies to benefits for services furnished on or after December 31, 2003. The ERISA and PHSA provisions apply to benefits for services furnished on or after December 31, 2004.

Provision	Present Law	House Bill	Senate Amendment
	<p>maximum tax that can be imposed during a year cannot exceed the lesser of 10 percent of the employer's group health plan expenses for the prior year or \$500,000.</p> <p>The Code provisions expired with respect to benefits for services furnished after December 31, 2003. The ERISA and PHSA provisions expire with respect to benefits for services furnished on or after December 31, 2004.</p>		
<p><b>V. Combined Employment Tax Reporting (sec. 421 of the House bill and sec. 712 of the Senate amendment)</b></p>	<p>Traditionally, Federal tax forms are filed with the Federal government and State tax forms are filed with individual States. This necessitates duplication of items common to both returns.</p> <p>The Taxpayer Relief Act of 1997 permitted implementation of a limited demonstration project to assess the feasibility and desirability of expanding combined Federal and State reporting. First, it was limited to the sharing of information between the State of Montana and the IRS. Second, it was limited to employment tax reporting. Third, it was limited to disclosure of the name, address,</p>	<p>Extends the demonstration project through December 31, 2005.</p> <p><u>Effective date.</u>—Disclosures made on or after the date of enactment.</p>	<p>Provides permanent authority for any State to participate in a combined Federal and State employment tax reporting program, provided that the program has been approved by the Secretary.</p> <p><u>Effective date.</u>—Date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>TIN, and signature of the taxpayer, which is information common to both the Montana and Federal portions of the combined form. Fourth, it was limited to a period of five years (expiring August 5, 2002).</p>		
<p><b>W. Clean Fuel Vehicles</b></p> <p><b>1. Credit for qualified electric vehicles (sec. 422 of the House bill and sec. 720 of the Senate amendment)</b></p>	<p>A 10-percent tax credit is provided for the cost of a qualified electric vehicle, up to a maximum credit of \$4,000. A qualified electric vehicle generally is a motor vehicle that is powered primarily by an electric motor drawing current from rechargeable batteries, fuel cells, or other portable sources of electrical current. The full amount of the credit is available for purchases prior to 2002. The credit phases down in the years 2004 through 2006, and is unavailable for purchases after December 31, 2006. Under the phase down, the credit for 2004 is 75 percent of the otherwise allowable credit.</p>	<p>Repeals the phase down of allowable tax credit for electric vehicles in 2004 and 2005. Thus, a taxpayer who purchases a qualifying vehicle may claim 100 percent of the otherwise allowable credit for vehicles purchased in 2004 and 2005. For vehicles purchased in 2006 the credit remains at 25 percent of the otherwise allowable amount as under present law.</p> <p><u>Effective date.</u>—Effective for vehicles placed in service after December 31, 2003.</p>	<p>Repeals the phase down for each of 2004, 2005, and 2006.</p> <p>(Other sections of the Senate amendment modify the credit. These modifications are not described in this document.)</p> <p><u>Effective date.</u>—Effective for vehicles placed in service after December 31, 2003.</p>

Provision	Present Law	House Bill	Senate Amendment
<p><b>2. Deduction for qualified clean-fuel vehicle property (sec. 422 of the House bill and sec. 721 of the Senate amendment)</b></p>	<p>Certain costs of qualified clean-fuel vehicle may be expensed and deducted when such property is placed in service. Qualified clean-fuel vehicle property includes motor vehicles that use certain clean-burning fuels (natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, electricity and any other fuel at least 85 percent of which is methanol, ethanol, any other alcohol or ether). The maximum amount of the deduction is \$50,000 for a truck or van with a gross vehicle weight over 26,000 pounds or a bus with seating capacities of at least 20 adults; \$5,000 in the case of a truck or van with a gross vehicle weight between 10,000 and 26,000 pounds; and \$2,000 in the case of any other motor vehicle. The deduction phases down in the years 2004 through 2006, and is unavailable for purchases after December 31, 2006. Under the phase down, the deduction permitted for 2004 is 75 percent of the otherwise allowable amount.</p>	<p>Repeals the phase down of the allowable deduction for clean-fuel vehicles in 2004 and 2005. Thus, a taxpayer who purchases a qualifying vehicle may claim 100 percent of the otherwise allowable deduction for vehicles purchased in 2004 and 2005. For vehicles purchased in 2006 the deduction remains at 25 percent of the otherwise allowable amount as under present law.</p> <p><u>Effective date.</u>—Effective for vehicles placed in service after December 31, 2003.</p>	<p>Repeals the phase down for each of 2004, 2005, and 2006.</p> <p>(Other sections of the Senate amendment create new credits for the purchase of certain vehicles that would be qualified clean-fuel vehicles under present law. These modifications are not described in this document.)</p> <p><u>Effective date.</u>—Effective for vehicles placed in service after December 31, 2003.</p>

Provision	Present Law	House Bill	Senate Amendment
<p><b>X. Repeal of Reduction of Deductions for Mutual Life Insurance Companies (sec. 710 of the Senate amendment)</b></p>	<p>The Pension Funding Equity Act of 2004 (Pub. L. No. 108-218) repealed the rule requiring reduction in certain deductions of a mutual life insurance company (Code section 809), for taxable years beginning after 2004. Code section 809 was suspended for taxable years beginning in 2001, 2002, or 2003, and remains in effect for taxable years beginning in 2004.</p>	<p>No provision.</p>	<p>Repeals section 809 for taxable years beginning in 2004.</p> <p><u>Effective date.</u>—Taxable years beginning after 2003.</p>