SUMMARY OF EXPIRING TAX AND TRADE PROVISIONS AND OTHER REVENUE PROVISIONS CONTAINED IN THE CONFERENCE AGREEMENT ON H.R. 4328, THE OMNIBUS CONSOLIDATED AND EMERGENCY SUPPLEMENTAL APPROPRIATIONS ACT, 1999

Prepared by the Staff

of the

Joint Committee on Taxation

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INTRODUCTION

This document[1], prepared by the staff of the Joint Committee on Taxation, contains a summary of revenue and certain other provisions of the conference agreement on H.R. 4328, the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999. Included in this document is a summary of (1) emergency tax relief for farmers, (2) expiring tax and trade provisions, (3) other revenue provisions, (4) revenue offset provisions, (5) tax technical correction provisions, and (6) a revenue offset for the Medicare home health care provisions. A separate document (JCX-73-98) provides estimated budget effects of the revenue and trade provisions of H.R. 4328.

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[1] This document may be cited as follows: Joint Committee on Taxation, *Summary of Expiring Tax and Trade Provisions And Other Revenue Provisions Contained in the Conference Agreement on H.R. 4328, the Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999* (JCX-74-98), October 20, 1998.

SUMMARY OF EXPIRING TAX AND TRADE PROVISIONS AND OTHER REVENUE PROVISIONS OF H.R. 4328

A. Emergency Tax Relief for Farmers

Income averaging for farmers

The bill permanently extends the income averaging provision available to farmers, effective for taxable years beginning after December 31, 2000.

Farm production flexibility contract payments

The time a production flexibility contract payment under the Federal Agriculture Improvement and Reform Act of 1996 ("FAIR Act") is properly includible in income is determined without regard to the options granted by section 112(d)(2) (allowing receipt of one-half of the annual payment on either December 15 or January 15 of the fiscal year) or section 112(d)(3) (allowing the acceleration of all payments for fiscal year 1999) of the FAIR Act. The provision is effective for taxable years ending after December 31, 1995.

Net operating loss carrybacks

The bill provides a special five-year carryback period for net operating losses attributable to a farming business. The provision is effective for net operating losses arising in taxable years beginning after December 31, 1997.

B. Extension of Expiring Tax and Trade Provisions

The bill extends the following tax and trade provisions, retroactive to the existing expiration date:

(1) Research and experimentation tax credit (through June 30, 1999);
(2) Work opportunity tax credit (through June 30, 1999);
(3) Welfare-to-work tax credit (through June 30, 1999);
(4) Permanent extension of the deduction for contributions of appreciated stock to private foundations, along with public inspection of private foundation annual returns;
(5) Exceptions under subpart F for certain active financing income, with modifications, applicable only for taxable years beginning in 1999;
(6) Disclosure of return information to the Department of Education for income contingent student loans (through September 30, 2003);
(7) Reauthorization of the generalized system of preferences ("GSP") (which grants authority to the President to provide duty-free treatment on imports of certain articles from beneficiary developing countries subject to certain conditions and limitations, under Title V of the Trade Act of 1974, as amended), effective for duties paid on or

after July 1, 1998, and before June 30, 1999; and

(8) Reauthorization of three trade adjustment assistance ("TAA") programs under Title II of the Trade Act of 1974 (as amended) to provide assistance to individual workers and firms affected adversely by the reduction of barriers to foreign trade, effective on the date of enactment (through June 30, 1999).

C. Other Revenue Provisions

Personal credits fully allowed against regular tax liability during 1998

The bill allows the nonrefundable personal credits to offset the regular tax in full (without regard to the tentative minimum tax) for taxable years beginning during 1998.

Increase deduction for health insurance expenses of self-employed individuals

The bill increases the deduction for health insurance of self-employed individuals to 60 percent for taxable years beginning in 1999 through 2001, to 70 percent for taxable years beginning in 2002, and to 100 percent for taxable years beginning in 2003 and thereafter.

Modification of individual estimated tax safe harbors

The provision modifies the estimated tax safe harbor which is based on a taxpayer's prior year's liability for individual taxpayers with an adjusted gross income of more than $150,000. For taxable years beginning in 2000 and 2001, 106 percent of the prior year's liability must be paid by such taxpayers in order to satisfy the safe harbor.

Volume limits on private activity bonds

The bill increases the limit on State private activity tax-exempt bonds to $75 per resident of each State or $225 million (if greater) beginning in calendar year 2007. The increase is phased in, beginning with $55 per capita or $165 million (if greater) in calendar year 2003.

Treasury study on depreciation

The Treasury Department is directed to conduct a comprehensive study of the recovery periods and depreciation methods under section 168 of the Internal Revenue Code, and to provide recommendations for determining such periods and methods in a more rational manner. The results and recommendations of the study are to be submitted to the House Ways and Means and Senate Finance Committees by March 31, 2000.

State election to exempt student employees from Social Security

The bill allows a limited window of time (January 1 through March 31, 1999) for States to modify existing State agreements to exempt from Social Security coverage students (including graduate assistants) who are employed by a public school, university, or college in a nonexempted State. This provision applies to three States that did not previously elect to exempt student employees from Social Security coverage. The provision is effective with respect to earnings after June 30, 2000.

D. Revenue Offset Provisions

Treatment of certain deductible liquidating distributions of regulated investment companies ("RICs") and real estate investment trusts ("REITS")

Under the bill, any amount which a liquidating RIC or REIT may take as a deduction for dividends paid with respect to an otherwise tax-free liquidating distribution to an 80-percent corporate owner will be includible in the income of the recipient corporation. The provision is effective for distributions on or after May 22, 1998, regardless of when the plan of liquidation was adopted.

Vaccine excise tax

The bill adds any vaccine against rotavirus gastroenteritis to the list of taxable vaccines. The net receipts from the tax are deposited in the Vaccine Injury Compensation Trust Fund. The provision is effective beginning the day after the date of enactment.

Mathematical error procedure

The bill clarifies and expands the mathematical and clerical error procedures so that a correct taxpayer identification number ("TIN") is a TIN assigned by the Social Security Administration (or Internal Revenue Service) to the individual identified on the tax return. The provision is effective for taxable years ending after the date of enactment.

Restrict NOL carryback rules for specified liability losses

The bill limits the definition of specified liability losses that can be carried back 10 years. The provision is effective for net operating losses arising in taxable years ending after the date of enactment.

E. Tax Technical Corrections Provisions

The bill makes necessary technical corrections to recent tax legislation, including the Internal Revenue Service Restructuring and Reform Act of 1998, the Taxpayer Relief Act of 1997, and other tax legislation.

F. Revenue Offset for Medicare Home Health Provisions

Treatment of certain prizes

A prize winner who is provided the option to choose either cash or an annuity within 60 days after becoming entitled to the prize is not required to include amounts in gross income merely by reason of having the option. The provision is effective for prizes to which the taxpayer first becomes entitled after the date of enactment. In addition, the provision applies to a prize to which the taxpayer became entitled before the date of enactment, if the taxpayer has the option to receive a single cash payment during the 18-month period beginning on July 1, 1999.