ESTIMATED BUDGET EFFECTS OF THE REVENUE PROVISIONS CONTAINED IN THE PRESIDENT'S FISCAL YEAR 1998 BUDGET PROPOSAL

Prepared by
the Staff of the
Joint Committee on Taxation

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1. Explanation of Estimates

This document contains two revenue tables prepared by the staff of the Joint Committee on Taxation. The first revenue table provides the estimated budget effects of the revenue provisions contained in the President's fiscal year 1998 budget proposal. The second revenue table contains the estimated budget effects of the revenue provisions contained in the President's fiscal year 1998 budget proposal, based on the hypothetical assumption that such provisions will be enacted on a permanent basis (i.e., that such provisions will not be subject to the so-called "tax cut sunset" mechanism contained in the President's budget proposal).

The documents describing the President's budget proposal that were transmitted to the Congress on Thursday, February 6, 1997, indicated that a mechanism would apply to ensure that the budget is balanced in 2002 under both Office of Management and Budget ("OMB") and Congressional Budget Office ("CBO") economic assumptions. Specifically, the President's budget document states the following:

> "The Administration is confident that its own assumptions will continue to prove the more accurate.
>
> "Nevertheless, the budget includes a mechanism to ensure that the President's plan reaches balance in 2002 under OMB *or* CBO assumptions. <u>If OMB's assumptions prove correct, as we expect, then the mechanism would not take effect</u>. If, however, CBO proves correct -- and the President and Congress cannot agree on how to close the gap through expedited procedures--then most of the President's tax cuts would sunset, and discretionary budget authority and identified entitlement programs would face an across-the-board limit."[1] (Emphasis added.)

The February 6, 1997, budget documents published by the Administration contain no additional detail with respect to the sunset mechanism as it relates to the President's tax proposals. Subsequent to transmittal of these documents, however, the Administration has provided additional detail concerning certain of its tax reduction provisions.

First, the Administration has provided specific statutory language relating to the following provisions: (1) the tax credit for families with young children, (2) the HOPE scholarship tuition tax credit, (3) the education and job training deduction, (4) the expanded Individual Retirement Arrangement ("IRA") provisions, and (5) the deduction for environmental remediation expenses ("Brownfields").[2] Under that language, these provisions are to terminate or "sunset" for taxable years beginning after December 31, 2000.

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[1] Office of Management and Budget, *Budget of the United States Government, Fiscal Year 1998*, at p.16.

[2] Memorandum for Ken Kies, Joint Committee on Taxation, from the Deputy Director of the Office of Management and Budget (February 26, 1997). See Appendix B.

Second, the Administration provided an OMB outline description including certain conditions under which it is contemplated Congress could consider subsequent legislation after October 2000 to reinstate the tax reduction provisions that the Administration is proposing to sunset after December 31, 2000. This outline indicates that if certain deficit targets are achieved for fiscal year 2000, as determined pursuant to a Treasury Department report to be made in October 2000, "...a legislative fast track is provided for reenactment of the tax cuts that had been sunset...".[3] A similar possible reenactment scenario is contemplated for fiscal year 2001.

Based on the information supplied by the Administration, the statutory language for the sunset mechanism provides that the specified tax cut provisions would be sunsetted after December 31, 2000. Contrary to language contained in the February 6, 1997, budget documents, this would be the case under either OMB or CBO economic assumptions.

The first revenue table contains the estimates of the staff of the Joint Committee on Taxation of the revenue provisions in the President's budget proposal taking account of the sunset of certain of the tax cut provisions as specified in the statutory draft provided by the OMB.

The second revenue table reflects a hypothetical revenue estimate of the revenue provisions in the President's budget as if those revenue provisions subject to sunset are permanent. This is a hypothetical estimate because subsequent Congressional action after October 2000 would be required to make these provisions permanent.

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[3] Office of Management and Budget, *Mechanism to Assure Balance on CBO Assumptions*, Received February 10, 1997 (Appendix A).

2. Estimated Budget Effects of the Revenue Provisions Contained in the President's Fiscal Year 1998 Budget Proposal

#97-4 029
VERY PRELIMINARY

ESTIMATED BUDGET EFFECTS OF THE REVENUE PROVISIONS CONTAINED IN THE PRESIDENT'S FISCAL YEAR 1998 BUDGET PROPOSAL
(INCLUDES SUNSET OF CERTAIN PROVISIONS)

Fiscal Years 1997-2007

[Millions of Dollars]

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
I. MIDDLE CLASS TAX RELIEF														
A. Tax Credit for Families with Children Under Age 13 (with sunset)	tyba 12/31/96	-39	-8,878	-7,674	-8,065	-9,818	---	---	---	---	---	---	-34,474	-34,474
B. Education and Job Training Provisions														
1. HOPE scholarship tuition tax credit (for education commencing on or after 7/1/97) (with sunset) [1]	pmo/a 1/1/97	[2]	-5,084	-5,868	-7,062	-5,616	---	---	---	---	---	---	-23,630	-23,630
2. Education and job training deduction (for education commencing on or after 7/1/97) (with sunset) [1]	pmo/a 1/1/97	[2]	-1,988	-2,364	-2,850	-2,268	---	---	---	---	---	---	-9,470	-9,470
3. Tax incentives for expansion of student loan forgiveness	aiiia DOE	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[3]	[3]
4. Extension of employer-provided educational assistance for graduates (effective 6/30/96) and undergraduates; sunset 12/31/00	tyba 12/31/96	-213	-423	-660	-704	-477	---	---	---	---	---	---	-2,476	-2,476
5. Small business tax credit for employer-provided educational assistance	pmi tyba 12/31/97	-5	-14	-25	-33	-32	-19	-12	-7	-4	-2	-1	-129	-155
C. Provisions Relating to Individual Retirement Plans (with sunset)	tyba 12/31/96	[2]	-2,254	-1,520	-2,433	-3,167	-2,160	-2,806	-3,601	-4,503	-5,563	-6,838	-11,534	-34,844
D. Exclusion of Capital Gains on Sale of Principal Residence	seo/a 1/1/97	-31	-589	-527	-538	-549	-560	-571	-582	-594	-606	-618	-2,794	-5,765
SUBTOTAL: MIDDLE CLASS TAX RELIEF		**-288**	**-19,230**	**-18,638**	**-21,685**	**-21,927**	**-2,739**	**-3,389**	**-4,190**	**-5,101**	**-6,171**	**-7,457**	**-84,507**	**-110,814**
II. DISTRESSED AREAS INITIATIVES														
A. Expand Empowerment Zones and Enterprise Communities	bia DOE; eii tyba DOE	-10	-110	-160	-166	-63	-8	-13	-17	-22	-29	-33	-518	-632
B. Expensing of Environmental Remediation Costs ("Brownfields") (with sunset)	eia DOE	-15	-55	-198	-315	-266	-85	3	13	28	41	44	-934	-806
C. Provide Tax Credit for Investment in Community Development Financial Institutions	tyba 12/31/96	---	-2	-5	-8	-11	-15	-20	-21	-12	-2	[2]	-41	-95
SUBTOTAL: DISTRESSED AREAS INITIATIVES		**-25**	**-167**	**-363**	**-489**	**-340**	**-108**	**-30**	**-25**	**-6**	**10**	**11**	**-1,493**	**-1,533**
III. WELFARE-TO-WORK TAX CREDIT	**wpoio/a DOE**	**---**	**-41**	**-75**	**-95**	**-77**	**-41**	**-16**	**-5**	**-1**	**---**	**---**	**-331**	**-353**
IV. EXPANSION OF ESTATE TAX EXTENSION PROVISIONS FOR CLOSELY HELD BUSINESSES	**dda 12/31/97**	**---**	**---**	**-239**	**-261**	**-284**	**-309**	**-300**	**-300**	**-300**	**-300**	**-300**	**-1,093**	**-2,593**
V. OTHER TAX INCENTIVES														
A. Equitable Tolling of Statute of Limitations Period for Claiming Tax Refunds for Incapacitated Taxpayers	ordf tyea DOE	---	---	---	---	-18	-41	-47	-53	-56	-60	-63	-59	-338

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
B. Extend and Modify Puerto Rico Tax Credit	tyba 12/31/97	---	-31	-115	-135	-155	-228	-557	-833	-1,135	-1,856	-2,375	-664	-7,420
C. Extend Foreign Sales Corporations Benefits to Licenses of Computer Software for Reproduction Abroad	lga DOE	[3]	-26	-41	-150	-171	-151	-175	-200	-225	-250	-275	-539	-1,664
D. Establish District of Columbia Tax Incentive Program	---	*Proposal Not Specified*												
SUBTOTAL: OTHER TAX INCENTIVES		**[3]**	**-57**	**-156**	**-285**	**-344**	**-420**	**-779**	**-1,086**	**-1,416**	**-2,166**	**-2,713**	**-1,262**	**-9,422**
VI. EXTENSIONS OF EXPIRING TAX PROVISIONS														
A. Research Tax Credit (through 5/31/98)	6/1/97	-387	-702	-476	-246	-174	-88	-18	---	---	---	---	-2,073	-2,091
B. Contributions of Appreciated Stock to Private Foundations (through 5/31/98)	6/1/97	-10	-102	-10	-3	---	---	---	---	---	---	---	-126	-126
C. Work Opportunity Tax Credit [4]														
a. Extend for one year through 9/30/98	wpoia 9/30/97	---	-108	-134	-78	-31	-12	-2	---	---	---	---	-362	-365
b. Add a new targeted group (through 9/30/00) [5]	wpoio/a DOE	---	-35	-57	-70	-54	-27	-10	-3	---	---	---	-243	-256
D. Orphan Drug Tax Credit (through 5/31/98)	6/1/97	-8	-11	-5	-1	[2]	[2]	[2]	---	---	---	---	-26	-26
SUBTOTAL: EXTENSION OF EXPIRING TAX PROVISIONS		**-405**	**-958**	**-682**	**-398**	**-259**	**-127**	**-30**	**-3**	**---**	**---**	**---**	**-2,830**	**-2,864**
SUBTOTAL: SECTIONS I - VI		**-718**	**-20,453**	**-20,153**	**-23,213**	**-23,231**	**-3,744**	**-4,544**	**-5,609**	**-6,824**	**-8,627**	**-10,459**	**-91,516**	**-127,579**
VII. CORPORATE REFORM PROVISIONS														
A. Provisions Relating to Financial Products														
1. Deny interest deduction on certain debt instruments	iio/a dofca	2	73	121	157	189	217	243	267	294	324	356	759	2,243
2. Defer interest deduction on certain convertible debt	dio/a dofca	1	14	26	40	54	66	74	83	93	104	116	201	671
3. Limit dividends-received deduction														
a. Reduce dividends-received deduction to 50%	dpoaa 30da DOE	24	296	311	317	323	330	336	343	350	357	365	1,601	3,351
b. Modify holding period for dividends-received deduction	dpoaa 30da DOE	4	12	15	15	16	16	16	17	17	17	18	78	162
c. Deny dividends-received deduction for preferred stock with certain non-stock characteristics	dosia 30da DOE	1	12	23	36	49	59	64	67	68	69	71	179	517
4. Disallowance of interest on indebtedness allocable to tax-exempt obligations	tyba DOE oaa dofca	---	13	29	38	48	57	67	76	85	93	101	185	608
5. Basis of substantially identical securities determined on an average cost-basis	30da DOE	---	725	287	397	387	377	368	359	350	341	332	2,173	3,923
6. Require recognition of gain on certain appreciated positions in personal property	[6]	[7]	15	20	25	30	35	40	45	50	55	60	125	375
7. Gains or losses from certain terminations with respect to property	30da DOE	---	15	27	25	25	25	25	25	25	25	25	117	242
8. Determination of original issue discount where pooled debt obligations subject to acceleration	tyba DOE	---	66	239	311	277	246	87	91	95	99	103	1,139	1,614
B. Corporate Tax Reforms														
1. Require gain recognition for certain extraordinary dividends	da 5/3/95 or da 9/13/95	165	440	-90	-51	-7	42	71	77	82	89	95	499	913
2. Repeal percentage depletion for certain nonfuel minerals mined on certain Federal lands	tyba DOE	14	35	64	66	67	69	71	72	74	76	78	315	686
3. Modify net operating loss carryback and carryforward rules	tyba DOE	-52	104	958	1,139	806	563	428	355	314	293	286	3,519	5,195
4. Treat certain preferred stock as "boot"	to/a dofca	20	101	155	160	167	95	34	36	38	40	42	698	888
5. Conversion of large corporations into S corporations treated as complete liquidation	tyba 1/1/98	---	6	20	37	52	60	62	64	65	67	69	176	503

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
6. Require gain recognition on certain distributions of controlled corporation stock	da dofca	15	75	50	50	50	50	50	50	50	50	50	290	540
7. Reform tax treatment of certain corporate stock transfers	ta dofca	[7]	10	5	5	5	5	5	5	5	5	5	30	55
C. Foreign Tax Provisions														
1. Expand subpart F provision regarding income from notional principal contracts and stock lending transactions	tyba DOE	---	9	20	21	21	21	21	22	22	22	23	92	202
2. Taxation of certain captive insurance companies and their shareholders	tyba DOE	---	20	15	5	5	5	5	5	5	5	5	50	75
3. Modify foreign tax credit carryover rules	ftpa tyba 12/31/97	[8]	80	520	468	441	416	390	275	271	267	263	1,925	3,391
4. Reform treatment of foreign oil and gas income and dual capacity taxpayers	tyba DOE	[8]	155	305	328	352	379	407	438	471	506	544	1,519	3,885
5. Replace sales source rules with activity-based rule	tyba DOE	[9]	889	1,676	1,802	1,937	2,083	2,239	2,407	2,587	2,781	2,990	8,387	21,391
D. Accounting Provisions														
1. Termination of suspense accounts for family farm corporations required to use accrual method of accounting	[10]	10	54	72	73	74	75	76	77	78	79	69	357	735
2. Repeal lower of cost or market inventory accounting method	tyba DOE	[11]	147	331	321	317	257	101	58	62	66	70	1,373	1,730
3. Repeal components of cost inventory accounting method	tyba DOE	[11]	56	101	109	117	125	135	145	156	168	180	508	1,292
E. Gain Deferral Provisions														
1. Expansion of requirement that involuntarily converted property be replaced with property acquired from an unrelated person	icoa dofca	[11]	1	4	6	8	11	13	15	17	19	21	30	115
2. Further restrict like-kind exchanges involving foreign personal property	Ta dofca	[11]	4	8	11	13	15	17	19	21	23	25	51	156
F. Administrative Provisions														
1. Require registration of confidential corporate tax shelters	tsoaiTg	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[8]	[8]
2. Information reporting on corporations receiving contract payments from certain Federal agencies	rd 90da DOE	---	5	7	8	9	10	11	11	12	12	13	39	98
3. Increased information reporting penalties	rd 90da DOE	---	7	15	23	24	25	27	28	29	31	32	94	241
4. Extend disclosure of tax return information for administration of certain Veterans' programs [12]	dma 9/30/98	---	---	22	27	31	36	---	---	---	---	---	116	116
5. Modify the substantial understatement penalty for corporations	tyba DOE	---	---	---	---	---	---	10	20	20	20	20	---	90
6. Extension of withholding to certain gambling winnings	pma fmba 10da DOE	2	22	3	3	3	3	3	3	4	4	4	36	54
7. Reporting of certain payments made to attorneys	pma 12/31/97	---	---	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[8]	[8]
8. Reinstate Oil Spill Liability Trust Fund excise tax and raise Trust Fund ceiling to $2.5 million (sunset 9/31/07)	DOE	14	203	205	208	209	210	65	53	53	54	52	1,050	1,327
9. Tax kerosene in the same manner as diesel fuel	7/1/98	---	44	43	49	46	44	43	44	47	49	52	226	462
10. Sunset extension of section 29 placed-in-service date of credit for biomass and coal facilities on 7/1/97	DOE	[7]	20	44	52	59	70	75	77	79	82	84	245	642
G. Employment Taxes														
1. Extension of Federal unemployment tax [12]	lpo/a 1/1/99	---	---	1,063	1,763	1,797	1,733	661	-73	-71	-74	-73	6,356	6,726

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
2. Deposit requirement for Federal unemployment taxes [12]	mba 12/31/01	---	---	---	---	---	1,313	37	33	29	35	34	1,313	1,481
SUBTOTAL: CORPORATE REFORM PROVISIONS		**220**	**3,728**	**6,714**	**8,044**	**8,001**	**9,143**	**6,377**	**5,689**	**5,947**	**6,253**	**6,580**	**35,851**	**66,695**
VIII. OTHER TAX PROVISIONS														
A. Excise Taxes														
1. Reinstate Airport and Airway Trust Fund excise taxes	tp7data DOE	257	5,172	5,521	5,865	6,228	6,612	7,016	7,445	7,901	8,385	8,895	29,653	69,295
2. Reinstate Leaking Underground Storage Tank Trust Fund excise tax	DOE	14	130	128	128	129	131	134	136	139	142	145	660	1,357
3. Reinstate Superfund taxes														
a. Superfund excise taxes (sunset 9/31/07)	DOE	42	610	617	625	629	632	635	638	641	644	647	3,155	6,359
b. Superfund corporate environmental income tax [13]	tyba 12/31/96	326	546	559	582	610	639	670	702	736	771	808	3,262	6,949
4. Establish IRS authority for continuous levy and improve debt collection	lia DOE	30	332	327	256	213	157	117	102	86	82	78	1,315	1,780
5. Exempt Federal vaccine purchases from vaccine excise tax for one year	vpa 9/30/97	---	-98	---	---	---	---	---	---	---	---	---	-98	-98
B. Interest subsidy for State and local school construction	10/1/97	---	-5	-40	-95	-163	-221	-244	-247	-247	-241	-231	-525	-1,734
SUBTOTAL: OTHER TAX PROVISIONS		**669**	**6,687**	**7,112**	**7,361**	**7,646**	**7,950**	**8,328**	**8,776**	**9,256**	**9,783**	**10,342**	**37,422**	**83,908**
SUBTOTAL: SECTIONS VII - VIII		**889**	**10,415**	**13,826**	**15,405**	**15,647**	**17,093**	**14,705**	**14,465**	**15,203**	**16,036**	**16,922**	**73,273**	**150,603**
NET TOTAL: SECTIONS I - VIII		**171**	**-10,038**	**-6,327**	**-7,808**	**-7,584**	**13,349**	**10,161**	**8,856**	**8,379**	**7,409**	**6,463**	**-18,243**	**23,024**

Joint Committee on Taxation, February 27, 1997

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:
aiiia = amount includible in income after
bia = bonds issued after
da = distributions after
dda = decedents dying after
dio/a = debt issued on or after
dma = disclosures made after
DOE = date of enactment
dofca = date of first committee action
dosia = dividends on stock issued after
dpoaa = dividends paid or accrued after
eia = expenses incurred after
eii = expenses incurred in
fmba = first month beginning at least
ftpa = foreign taxes paid or accrued
icoa = involuntary conversions occurring after
iio/a = instruments issued on or after
lga = licenses granted after
lia = levies issued after
lpo/a = labor performed on or after
mba = months beginning after
seo/a = sales or exchanges occurring on or after
oaa = obligations acquired after
ordf = original returns due for
pma = payments made after
pmi = payments made in
pmo/a = payments made on or after
rd = returns due
ta = transaction after
Ta = transfers after
to/a = transaction on or after
tyba = taxable years beginning after
tyea = taxable years ending after
tp7data = tickets purchased 7 days after date of enactment for travel 7 days after
tsoaiTg = tax shelters offered after issuance of Treasury guidance
vpa = vaccine purchases after
wpoia = wages paid or incurred after
wpoio/a = wages paid or incurred on or after
10da = 10 days after
30da = 30 days after
90da = 90 days after

[Footnotes for Table #97-4 029 appear on the following page]

Footnotes for Table #97-4 029:

[1] Effective for payments made on or after 1/1/97, for education commencing on or after 7/1/97.
[2] Loss of less than $500,000.
[3] Loss of less than $5 million.
[4] Estimates include interaction with welfare-to-work tax credit.
[5] This group is composed of individuals ages 18 - 50 who lost eligibility for food stamps under the Administration's proposal to impose time limits on food stamp eligibility.
[6] Effective for constructive sales occurring either (1) after date of enactment; or (2) after 1/12/96, and before the date of enactment if the position giving rise to the constructive sales remains outstanding 30 days after the date of enactment. Estimate includes interaction with average cost-basis proposal.
[7] Gain of less than $500,000.
[8] Gain of less than $10 million.
[9] Gain of less than $50 million.
[10] Provisions would be effective for taxable years ending after the date of first committee action, except that the 10-year period for restoring existing suspense accounts would begin with the first taxable years that begins after that date.
[11] Gain of less than $5 million.
[12] Estimate provided by the Congressional Budget Office.
[13] Estimates are presented net of the effect of the income tax deduction for the environmental tax.

3. Hypothethical Estimate of the Budget Effects of the Revenue Provisions Contained in the President's Fiscal Year 1998 Budget Proposal As If Certain Tax Reduction Provisions Subject to Sunset on December 31, 2000, Are Enacted on a Permanent Basis

#97-4 030
VERY PRELIMINARY

HYPOTHETICAL ESTIMATE OF THE BUDGET EFFECTS OF THE REVENUE PROVISIONS CONTAINED IN THE PRESIDENT'S FISCAL YEAR 1998 BUDGET PROPOSAL AS IF CERTAIN TAX REDUCTION PROVISIONS SUBJECT TO SUNSET ON DECEMBER 31, 2000, ARE ENACTED ON A PERMANENT BASIS

Fiscal Years 1997-2007

[Millions of Dollars]

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
I. MIDDLE CLASS TAX RELIEF														
A. Tax Credit for Families with Children Under Age 13...	tyba 12/31/96	-39	-8,878	-7,674	-8,025	-11,408	-11,337	-11,180	-11,003	-10,829	-10,657	-10,632	-47,362	-101,663
B. Education and Job Training Provisions														
1. HOPE scholarship tuition tax credit (for education commencing on or after 7/1/97) [1].....	pmo/a 1/1/97	[2]	-5,084	-5,868	-5,931	-5,993	-6,057	-6,121	-6,186	-6,251	-6,318	-6,385	-28,933	-60,193
2. Education and job training deduction (for education commencing on or after 7/1/97) [1].....	pmo/a 1/1/97	[2]	-1,988	-2,364	-2,392	-2,421	-2,449	-2,478	-2,507	-2,537	-2,567	-2,597	-11,614	-24,300
3. Tax incentives for expansion of student loan forgiveness.....	aiiia DOE	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[2]	[3]	[3]
4. Extension of employer-provided educational assistance for graduates (effective 6/30/96) and undergraduates; sunset 12/31/00.....	tyba 12/31/96	-213	-423	-660	-704	-477	---	---	---	---	---	---	-2,476	-2,476
5. Small business tax credit for employer-provided educational assistance.....	pmi tyba 12/31/97	-5	-14	-25	-33	-32	-19	-12	-7	-4	-2	-1	-129	-155
C. Provisions Relating to Individual Retirement Plans.....	tyba 12/31/96	[3]	-2,254	-1,520	-2,433	-3,990	-5,690	-7,301	-8,479	-9,953	-11,777	-13,956	-15,887	-67,352
D. Exclusion of Capital Gains on Sale of Principal Residence.....	seo/a 1/1/97	-31	-589	-527	-538	-549	-560	-571	-582	-594	-606	-618	-2,794	-5,765
SUBTOTAL: MIDDLE CLASS TAX RELIEF.....		**-288**	**-19,230**	**-18,638**	**-20,056**	**-24,870**	**-26,112**	**-27,663**	**-28,764**	**-30,168**	**-31,927**	**-34,189**	**-109,195**	**-261,904**
II. DISTRESSED AREAS INITIATIVES														
A. Expand Empowerment Zones and Enterprise Communities.....	bia DOE; eii tyba DOE	-10	-115	-177	-188	-188	-180	-161	-153	-107	-81	-60	-858	-1,422
B. Expensing of Environmental Remediation Costs ("Brownfields").....	eia DOE	-15	-55	-188	-268	-284	-292	-298	-298	-294	-290	-287	-1,103	-2,571
C. Provide Tax Credit for Investment in Community Development Financial Institutions.....	tyba 12/31/96	---	-2	-5	-8	-11	-15	-20	-21	-12	-2	[2]	-41	-95
SUBTOTAL: DISTRESSED AREAS INITIATIVES.....		**-25**	**-172**	**-370**	**-464**	**-483**	**-487**	**-479**	**-472**	**-413**	**-373**	**-347**	**-2,002**	**-4,088**
III. WELFARE-TO-WORK TAX CREDIT.....	**wpoio/a DOE**	**---**	**-41**	**-75**	**-95**	**-77**	**-41**	**-16**	**-5**	**-1**	**---**	**---**	**-331**	**-353**
IV. EXPANSION OF ESTATE TAX EXTENSION PROVISIONS FOR CLOSELY HELD BUSINESSES.....	**dda 12/31/97**	**---**	**---**	**-239**	**-261**	**-284**	**-309**	**-300**	**-300**	**-300**	**-300**	**-300**	**-1,093**	**-2,593**
V. OTHER TAX INCENTIVES														
A. Equitable Tolling of Statute of Limitations Period for Claiming Tax Refunds for Incapacitated Taxpayers....	ordf tyea DOE	---	---	---	---	-18	-41	-47	-53	-56	-60	-63	-59	-338
B. Extend and Modify Puerto Rico Tax Credit.....	tyba 12/31/97	---	-31	-115	-135	-155	-228	-557	-833	-1,135	-1,856	-2,375	-664	-7,420

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
C. Extend Foreign Sales Corporations Benefits to Licenses of Computer Software for Reproduction Abroad	lga DOE	[3]	-26	-41	-150	-171	-151	-175	-200	-225	-250	-275	-539	-1,664
D. Establish District of Columbia Tax Incentive Program	---	*Proposal Not Specified*												
SUBTOTAL: OTHER TAX INCENTIVES		**[3]**	**-57**	**-156**	**-285**	**-344**	**-420**	**-779**	**-1,086**	**-1,416**	**-2,166**	**-2,713**	**-1,262**	**-9,422**
VI. EXTENSIONS OF EXPIRING TAX PROVISIONS														
A. Research Tax Credit (through 5/31/98)	6/1/97	-387	-702	-476	-246	-174	-88	-18	---	---	---	---	-2,073	-2,091
B. Contributions of Appreciated Stock to Private Foundations (through 5/31/98)	6/1/97	-10	-102	-10	-3	---	---	---	---	---	---	---	-126	-126
C. Work Opportunity Tax Credit [4]														
a. Extend for one year through 9/30/98	wpoia 9/30/97	---	-108	-134	-78	-31	-12	-2	---	---	---	---	-362	-365
b. Add a new targeted group (through 9/30/00) [5]	wpoio/a DOE	---	-35	-57	-70	-54	-27	-10	-3	---	---	---	-243	-256
D. Orphan Drug Tax Credit (through 5/31/98)	6/1/97	-8	-11	-5	-1	[2]	[2]	[2]	---	---	---	---	-26	-26
SUBTOTAL: EXTENSION OF EXPIRING TAX PROVISIONS		**-405**	**-958**	**-682**	**-398**	**-259**	**-127**	**-30**	**-3**	**---**	**---**	**---**	**-2,830**	**-2,864**
SUBTOTAL: SECTIONS I - VI		**-718**	**-20,458**	**-20,160**	**-21,559**	**-26,317**	**-27,496**	**-29,267**	**-30,630**	**-32,298**	**-34,766**	**-37,549**	**-116,713**	**-281,224**
VII. CORPORATE REFORM PROVISIONS														
A. Provisions Relating to Financial Products														
1. Deny interest deduction on certain debt instruments	iio/a dofca	2	73	121	157	189	217	243	267	294	324	356	759	2,243
2. Defer interest deduction on certain convertible debt	dio/a dofca	1	14	26	40	54	66	74	83	93	104	116	201	671
3. Limit dividends-received deduction														
a. Reduce dividends-received deduction to 50%	dpoaa 30da DOE	24	296	311	317	323	330	336	343	350	357	365	1,601	3,351
b. Modify holding period for dividends-received deduction	dpoaa 30da DOE	4	12	15	15	16	16	16	17	17	17	18	78	162
c. Deny dividends-received deduction for preferred stock with certain non-stock characteristics	dosia 30da DOE	1	12	23	36	49	59	64	67	68	69	71	179	517
4. Disallowance of interest on indebtedness allocable to tax-exempt obligations	tyba DOE oaa dofca	---	13	29	38	48	57	67	76	85	93	101	185	608
5. Basis of substantially identical securities determined on an average cost-basis	30da DOE	---	725	287	397	387	377	368	359	350	341	332	2,173	3,923
6. Require recognition of gain on certain appreciated positions in personal property	[6]	[7]	15	20	25	30	35	40	45	50	55	60	125	375
7. Gains or losses from certain terminations with respect to property	30da DOE	---	15	27	25	25	25	25	25	25	25	25	117	242
8. Determination of original issue discount where pooled debt obligations subject to acceleration	tyba DOE	---	66	239	311	277	246	87	91	95	99	103	1,139	1,614
B. Corporate Tax Reforms														
1. Require gain recognition for certain extraordinary dividends	da 5/3/95 or da 9/13/95	165	440	-90	-51	-7	42	71	77	82	89	95	499	913
2. Repeal percentage depletion for certain nonfuel minerals mined on certain Federal lands	tyba DOE	14	35	64	66	67	69	71	72	74	76	78	315	686
3. Modify net operating loss carryback and carryforward rules	tyba DOE	-52	104	958	1,139	806	563	428	355	314	293	286	3,519	5,195
4. Treat certain preferred stock as "boot"	to/a dofca	20	101	155	160	167	95	34	36	38	40	42	698	888
5. Conversion of large corporations into S corporations treated as complete liquidation	tyba 1/1/98	---	6	20	37	52	60	62	64	65	67	69	176	503
6. Require gain recognition on certain distributions of controlled corporation stock	da dofca	15	75	50	50	50	50	50	50	50	50	50	290	540

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
7. Reform tax treatment of certain corporate stock transfers	ta dofca	[7]	10	5	5	5	5	5	5	5	5	5	30	55
C. Foreign Tax Provisions														
1. Expand subpart F provision regarding income from notional principal contracts and stock lending transactions	tyba DOE	---	9	20	21	21	21	21	22	22	22	23	92	202
2. Taxation of certain captive insurance companies and their shareholders	tyba DOE	---	20	15	5	5	5	5	5	5	5	5	50	75
3. Modify foreign tax credit carryover rules	ftpa tyba 12/31/97	[8]	80	520	468	441	416	390	275	271	267	263	1,925	3,391
4. Reform treatment of foreign oil and gas income and dual capacity taxpayers	tyba DOE	[8]	155	305	328	352	379	407	438	471	506	544	1,519	3,885
5. Replace sales source rules with activity-based rule	tyba DOE	[9]	889	1,676	1,802	1,937	2,083	2,239	2,407	2,587	2,781	2,990	8,387	21,391
D. Accounting Provisions														
1. Termination of suspense accounts for family farm corporations required to use accrual method of accounting	[10]	10	54	72	73	74	75	76	77	78	79	69	357	735
2. Repeal lower of cost or market inventory accounting method	tyba DOE	[11]	147	331	321	317	257	101	58	62	66	70	1,373	1,730
3. Repeal components of cost inventory accounting method	tyba DOE	[11]	56	101	109	117	125	135	145	156	168	180	508	1,292
E. Gain Deferral Provisions														
1. Expansion of requirement that involuntarily converted property be replaced with property acquired from an unrelated person	icoa dofca	[11]	1	4	6	8	11	13	15	17	19	21	30	115
2. Further restrict like-kind exchanges involving foreign personal property	Ta dofca	[11]	4	8	11	13	15	17	19	21	23	25	51	156
F. Administrative Provisions														
1. Require registration of confidential corporate tax shelters	tsoaiTg	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[8]	[8]
2. Information reporting on corporations receiving contract payments from certain Federal agencies	rd 90da DOE	---	5	7	8	9	10	11	11	12	12	13	39	98
3. Increased information reporting penalties	rd 90da DOE	---	7	15	23	24	25	27	28	29	31	32	94	241
4. Extend disclosure of tax return information for administration of certain Veterans' programs [12]	dma 9/30/98	---	---	22	27	31	36	---	---	---	---	---	116	116
5. Modify the substantial understatement penalty for corporations	tyba DOE	---	---	---	---	---	---	10	20	20	20	20	---	90
6. Extension of withholding to certain gambling winnings	pma fmba 10da DOE	2	22	3	3	3	3	3	3	4	4	4	36	54
7. Reporting of certain payments made to attorneys	pma 12/31/97	---	---	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[11]	[8]	[8]
8. Reinstate Oil Spill Liability Trust Fund excise tax and raise Trust Fund ceiling to $2.5 million (sunset 9/31/07)	DOE	14	203	205	208	209	210	65	53	53	54	52	1,050	1,327
9. Tax kerosene in the same manner as diesel fuel	7/1/98	---	44	43	49	46	44	43	44	47	49	52	226	462
10. Sunset extension of section 29 placed-in-service date of credit for biomass and coal facilities on 7/1/97	DOE	[7]	20	44	52	59	70	75	77	79	82	84	245	642
G. Employment Taxes														
1. Extension of Federal unemployment tax [12]	lpo/a 1/1/99	---	---	1,063	1,763	1,797	1,733	661	-73	-71	-74	-73	6,356	6,726
2. Deposit requirement for Federal unemployment taxes [12]	mba 12/31/01	---	---	---	---	---	1,313	37	33	29	35	34	1,313	1,481
SUBTOTAL: CORPORATE REFORM PROVISIONS		**220**	**3,728**	**6,714**	**8,044**	**8,001**	**9,143**	**6,377**	**5,689**	**5,947**	**6,253**	**6,580**	**35,851**	**66,695**

Provision	Effective	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	1997-02	1997-07
VIII. OTHER TAX PROVISIONS														
A. Excise Taxes														
1. Reinstate Airport and Airway Trust Fund excise taxes	tp7data DOE	257	5,172	5,521	5,865	6,228	6,612	7,016	7,445	7,901	8,385	8,895	29,653	69,295
2. Reinstate Leaking Underground Storage Tank Trust Fund excise tax	DOE	14	130	128	128	129	131	134	136	139	142	145	660	1,357
3. Reinstate Superfund taxes														
a. Superfund excise taxes (sunset 9/31/07)	DOE	42	610	617	625	629	632	635	638	641	644	647	3,155	6,359
b. Superfund corporate environmental income tax [13]	tyba 12/31/96	326	546	559	582	610	639	670	702	736	771	808	3,262	6,949
4. Establish IRS authority for continuous levy and improve debt collection	lia DOE	30	332	327	256	213	157	117	102	86	82	78	1,315	1,780
5. Exempt Federal vaccine purchases from vaccine excise tax for one year	vpa 9/30/97	---	-98	---	---	---	---	---	---	---	---	---	-98	-98
B. Interest subsidy for State and local school construction	10/1/97	---	-5	-40	-95	-163	-221	-244	-247	-247	-241	-231	-525	-1,734
SUBTOTAL: OTHER TAX PROVISIONS		**669**	**6,687**	**7,112**	**7,361**	**7,646**	**7,950**	**8,328**	**8,776**	**9,256**	**9,783**	**10,342**	**37,422**	**83,908**
SUBTOTAL: SECTIONS VII - VIII		**889**	**10,415**	**13,826**	**15,405**	**15,647**	**17,093**	**14,705**	**14,465**	**15,203**	**16,036**	**16,922**	**73,273**	**150,603**
NET TOTAL: SECTIONS I - VIII		**171**	**-10,043**	**-6,334**	**-6,154**	**-10,670**	**-10,403**	**-14,562**	**-16,165**	**-17,095**	**-18,730**	**-20,627**	**-43,440**	**-130,621**

Joint Committee on Taxation, February 27, 1997

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:
aiiia = amount includible in income after
bia = bonds issued after
da = distributions after
dda = decedents dying after
dio/a = debt issued on or after
dma = disclosures made after
DOE = date of enactment
dofca = date of first committee action
dosia = dividends on stock issued after
dpoaa = dividends paid or accrued after
eia = expenses incurred after
eii = expenses incurred in
fmba = first month beginning at least
ftpa = foreign taxes paid or accrued
icoa = involuntary conversions occurring after
iio/a = instruments issued on or after
lga = licenses granted after
lia = levies issued after
lpo/a = labor performed on or after
mba = months beginning after
seo/a = sales or exchanges occurring on or after
oaa = obligations acquired after
ordf = original returns due for
pma = payments made after
pmi = payments made in
pmo/a = payments made on or after
rd = returns due
ta = transaction after
Ta = transfers after
to/a = transaction on or after
tyba = taxable years beginning after
tyea = taxable years ending after
tp7data = tickets purchased 7 days after date of enactment for travel 7 days after
tsoaiTg = tax shelters offered after issuance of Treasury guidance
vpa = vaccine purchases after
wpoia = wages paid or incurred after
wpoio/a = wages paid or incurred on or after
10da = 10 days after
30da = 30 days after
90da = 90 days after

[Footnotes for Table #97-4 030 appear on the following page]

Footnotes for Table #97-4 030:

[1] Effective for payments made on or after 1/1/97, for education commencing on or after 7/1/97.
[2] Loss of less than $500,000.
[3] Loss of less than $5 million.
[4] Estimates include interaction with welfare-to-work tax credit.
[5] This group is composed of individuals ages 18 - 50 who lost eligibility for food stamps under the Administration's proposal to impose time limits on food stamp eligibility.
[6] Effective for constructive sales occurring either (1) after date of enactment; or (2) after 1/12/96, and before the date of enactment if the position giving rise to the constructive sales remains outstanding 30 days after the date of enactment. Estimate includes interaction with average cost-basis proposal.
[7] Gain of less than $500,000.
[8] Gain of less than $10 million.
[9] Gain of less than $50 million.
[10] Provisions would be effective for taxable years ending after the date of first committee action, except that the 10-year period for restoring existing suspense accounts would begin with the first taxable years that begins after that date.
[11] Gain of less than $5 million.
[12] Estimate provided by the Congressional Budget Office.
[13] Estimates are presented net of the effect of the income tax deduction for the environmental tax.

Appendix A.--Office of Management and Budget, Mechanism to Assure Balance on CBO Assumptions (February 10, 1997)

TO: Ken Kies

DATE: 2/10/97

FAX#: 225-0832

Number of pages 3 (excluding this page)

FROM:

BARRY ANDERSON

Assistant Director for Budget
Office of Management and Budget
OEOB, Room 258
Washington, D.C. 20503

phone: (202) 395-4630
fax: (202) 395-6170

Comments:

Attached is a copy of the material on the Administration's proposed trigger mechanism that OMB Director Raines submitted for the record at his testimony before the Senate Budget Committee last Friday.

MECHANISM TO ASSURE BALANCE ON CBO ASSUMPTIONS

The President's budget produces balance in FY 2002, under OMB assumptions. In order to guarantee balance under CBO assumptions, the following mechanism is included in the budget.

A. Across-the-Board Limitation

1. A limitation is imposed on budget accounts for FY 2001 and FY 2002. The limitation is a uniform 2.25 percent reduction. It is calculated to be sufficient to produce an outlay amount equal to the total difference in the forecasts by OMB and CBO for FY 2002 based on enactment of the President's budget amount (after subtracting the effect of the tax cut sunset). The limitation is applied to discretionary accounts in FY 2001, and to discretionary and mandatory accounts in FY 2002.

2. For discretionary accounts, the fixed percentage reduction is 2.25 percent of the budget authority shown in the President's budget for FY 2001 and FY 2002. The percentage reduces the budget authority and commensurate outlay caps proposed in the President's budget.

3. For non-exempt mandatory programs with COLAs, the COLA is limited to 0.46 percent in 2002, a 2.25 percent reduction from the amount assumed in the President's budget.

4. For non-COLA non-exempt mandatory accounts, the limitation reduces each of them in FY 2002 by 2.25 percent from the outlay amount proposed for the President's budget for FY 2002.

5. The mandatory reduction supersedes any other law. It applies notwithstanding any other provision of law or entitlement language in any of the underlying laws establishing programs.

6. No later than 30 days after enactment of the Act enacting this proposal, the OMB Director is directed to report to Congress on the amounts of the across-the-board reduction in each account.

7. Specific amendments to authorization statutes are proposed for enactment, specifying the manner in which the reduction is imposed for each of the largest mandatory programs subject to reduction.

8. General rules are set forth for application of the reduction amount for the mandatory programs that are not individually addressed by specific amendments to authorizing statutes.

9. The OMB Director is authorized and directed to enforce the reductions through apportionment under 31 U.S.C. 1512-13 and may issue directives to federal officials to ensure the apportionment is not exceeded.

10. Each of the federal officials authorized to carry out a mandatory program that is subject to the obligation limitation and is apportioned pursuant to section 9, is directed to reduce payments or other expenditures, or both, to the extent necessary to achieve the reductions specified in the report issued by the OMB Director for such accounts. Such authority supersedes any other provision of law for such programs granting an entitlement, formula grant or other benefit, right, title or interest.

11. A specific list of exempted mandatory accounts is set forth, including Social Security. Except for specifically listed exemptions, all accounts classified as mandatory by OMB are included under the obligation limitation.

12. The amount of the percentage reduction in discretionary spending is to be increased if necessary after CBO scores the President's proposals so that the total reduction reaches balance including CBO scoring of the President's budget.

13. Specified tax cuts sunset at the end of CY 2000.

B. Potential Add Backs to Limitation

1. If the OMB Director finds that the actual deficit for FY 2000 is less than the CBO forecast for that year based on passage of the President's budget, then an amount equal to the difference is added back to the budget for FY 2001. The FY 2000 deficit as determined by the OMB Director is the FY 2000 end-of-year deficit as reported by the Treasury Department in October 2000. This is a routine Treasury report.

2. First, if at least $7 billion is to be added back, a legislative fast track is provided for reenactment of the tax cuts that had been sunset. Paygo credit and allocation of an increase in budget resolution revenue allocation is also provided to support reenactment.

3. Second, if more than $7 billion is to be added back, the across-the-board limitation on those programs and accounts which were reduced in FY 2001 (i.e., discretionary programs) are raised by a uniform percentage that produces the required add back amount above $7 billion.

4. The amount of the total add back is limited to an amount that would still produce balance on OMB assumptions.

5. In FY 2001, the OMB Director would make a determination like the one in FY 2000, leading again to provision for Congress to pass an extension of the tax cuts and an increase in the across-the-board limitation if the deficit in FY 2001 is below the CBO projection for that year.

6. The mechanism would operate in the same manner for FY 2002 as it did for FY 2001, except the amount that triggers tax reenactment provisions is $21.9 billion (rather than $7 billion as in the case of 2001). If more than $21.9 billion is to be added back, the limitations on those programs that were reduced in FY 2002, (i.e., discretionary, non-COLA mandatory programs and COLA mandatory programs) are raised by a uniform percentage that produces the required add back amount above $21.9 billion. Again, the total add back is limited to an amount that still would produce balance on OMB assumptions.

Appendix B.--Memorandum for Ken Kies, Joint Committee on Taxation, from the Deputy Director of the Office of Management and Budget (February 26, 1997)

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DEPUTY DIRECTOR

February 26, 1997

MEMORANDUM FOR KEN KIES
Joint Committee on Taxation

FROM: Jack Lew

SUBJECT: Tax Provisions of the Mechanism to Achieve Balance in 2002

We understand from recent conversations with you that it would be helpful for you to have the legislative language for our mechanism that sunsets some of the tax provisions in order to achieve balance in 2002. That language is attached.

We continue to be available to work with you on an informal basis to clarify any questions of policy or implementation.

Attachment

c: Jim Blum

1 (8) Subsection (c) of section 196 is amended by
2 striking "and" at the end of paragraph (8), by strik-
3 ing the period at the end of paragraph (9) and in-
4 serting a comma, and by adding at the end the fol-
5 lowing new paragraphs:
6 "(10) the District of Columbia employment
7 credit determined under section 1400A(a), and
8 "(11) the District investment credit determined
9 under section 1400D(a)."
10 (e) CLERICAL AMENDMENT.—The table of sub-
11 chapters for chapter 1 is amended by adding at the end
12 the following new item:

"Subchapter W. Incentives for revitalization of the District of Columbia."

13 (d) EFFECTIVE DATE.—This section shall take effect
14 on the date of the enactment of this Act.

15 Subtitle I—Sunset of Certain 16 Provisions

17 **SEC. 9701. SUNSET OF CERTAIN PROVISIONS.**

18 (a) CHILD CREDIT.—No credit shall be allowed under
19 section 24 of the Internal Revenue Code of 1986 for tax-
20 able years beginning after December 31, 2000.
21 (b) EDUCATION PROVISIONS.—
22 (1) CREDIT.—No credit shall be allowed under
23 section 24A of such Code for taxable years begin-
24 ning after December 31, 2000.

1 (2) DEDUCTION.—No deduction shall be al-
2 lowed under section 222 of such Code for taxable
3 years beginning after December 31, 2000.
4 (c) IRA PROVISIONS.—
5 (1) TERMINATION OF INFLATION ADJUSTMENT
6 FOR IRA LIMITATIONS.—The dollar amounts applica-
7 ble under section 219 of such Code shall be deter-
8 mined without regard to subsection (h) of such sec-
9 tion in the case of taxable years beginning after De-
10 cember 31, 2000.
11 (2) TERMINATION OF CONTRIBUTIONS TO SPE-
12 CIAL INDIVIDUAL RETIREMENT ACCOUNTS.—No con-
13 tribution may be made after December 31, 2000, to
14 any special individual retirement account (within the
15 meaning of section 408A of such Code).
16 (3) TERMINATION OF TRANSFERS TO SPECIAL
17 INDIVIDUAL RETIREMENT ACCOUNTS FROM REGU-
18 LAR INDIVIDUAL RETIREMENT ACCOUNTS.—For
19 purposes of section 408A of such Code, the term
20 "qualified transfer" shall not include any transfer
21 after December 31, 2000, to a special individual re-
22 tirement account from any account other than a spe-
23 cial individual retirement account.
24 (4) TERMINATION OF INCREASES IN CERTAIN
25 LIMITATIONS.—The amendments made by section

1 9201 shall not apply to any taxable year beginning
2 after December 31, 2000.
3 (d) BROWNFIELDS.—Section 198 of such Code shall
4 not apply to expenditures after December 31, 2000.