[JOINT COMMITTEE PRINT]

SUMMARY OF THE REVENUE PROVISIONS OF THE OMNIBUS BUDGET RECONCILIATION ACT OF 1993 (H.R. 2264)

PREPARED BY THE STAFF

OF THE

JOINT COMMITTEE ON TAXATION

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INTRODUCTION

This pamphlet,[1] prepared by the staff of the Joint Committee on Taxation, summarizes the revenue provisions of the Omnibus Budget Reconciliation Act of 1993 (Chapter 1 of Title XIII of H.R. 2264), as passed by the House on August 5, 1993, and by the Senate on August 6, 1993, and signed by the President on August 10, 1993 (the "Act"). It is intended to provide a convenient summary for Members of Congress and the public. The official legislative statement regarding the conference agreement on the revenue provisions of H.R. 2264 is the Conference Report, H. Rept. 103-213, filed on August 4, 1993 (the "Conference Report").[2]

Estimated budget effects of the revenue provisions of H.R. 2264 are provided in the Appendices.

As used in this pamphlet, "prior law" refers to the law as it existed prior to enactment of the Act; "present law" refers to the law as it exists after enactment of the Act.

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[1] This pamphlet may be cited as follows: Joint Committee on Taxation, *Summary of the Revenue Provisions of the Omnibus Budget Reconciliation Act of 1993 (H.R. 2264)* (JCS-11-93), August 23, 1993. The text of this summary is a revised version of Joint Committee on Taxation document JCX-12-93, which was released on August 10, 1993.

[2] See also House Committee on the Budget, *Report on the Omnibus Budget Reconciliation Act of 1993 (H.R. 2264)* (H. Rept. 103-111, May 25, 1993); Senate Committee on Finance, *Fiscal Year 1994 Budget Reconciliation Recommendations of the Committee on Finance* (S. Prt. 103-37, June 1993).

SUMMARY OF REVENUE PROVISIONS

I. TRAINING AND INVESTMENT PROVISIONS

A. Education and Training Provisions

1. Extension of employer-provided educational assistance

Prior to July 1, 1992, an employee was generally allowed to exclude from gross income up to $5,250 paid by his or her employer for educational assistance. This educational assistance payment was also excluded from wages for employment tax purposes. The exclusion expired after June 30, 1992. The Act extends for 30 months the exclusion for employer-provided educational assistance, from July 1, 1992, through December 31, 1994.

2. Extension of targeted jobs tax credit

Prior to July 1, 1992, a targeted jobs credit in the maximum amount of $2,400 per employee was available to employers who hired individuals from one of several, generally economically disadvantaged, groups. The credit expired after June 30, 1992. The Act extends for 30 months the targeted jobs tax credit, from July 1, 1992, through December 31, 1994.

B. Investment Incentives

1. Extension of research tax credit; Modification of fixed base percentage for startup companies

Prior to July 1, 1992, a taxpayer could claim a research and experimentation tax credit equal to 20 percent of the amount by which the taxpayer's qualified research expenditures for a taxable year exceeded its base amount for that year. The base amount was designed to approximate the research the taxpayer would have undertaken even if no credit were provided. In general, the base amount for a current year was calculated by multiplying the taxpayer's historical fixed-base ratio (i.e., its historical ratio of research expenditures to gross receipts) by its gross receipts in the most recent four years. Start-up firms were deemed to have a fixed-base ratio of three percent. The credit expired for expenses incurred after June 30, 1992. The Act extends the research tax credit for three years, from July 1, 1992, through June 30, 1995. The Act also provides a special rule for start-up firms, so that the fixed-base ratio for these firms eventually will be computed based on actual research experience.

2. Capital gains exclusion for certain small business stock

The Act generally permits a noncorporate taxpayer who holds qualified small business stock for more than five years to exclude from income 50 percent of any gain on the sale or exchange of the stock. The amount of gain eligible for the 50-percent exclusion is limited to the greater of (1) 10 times the taxpayer's basis in the stock or (2) $10 million of gain from stock in that corporation. One-half of any exclusion claimed is treated as an alternative minimum tax preference item. Various eligibility requirements must be satisfied for stock of a corporation to constitute qualified small business stock, including limitations regarding the size of a corporation ($50 million gross assets), the nature of the corporation's trade or business, and the manner in which the stock is acquired by the taxpayer (i.e., the stock must be acquired at original issuance in exchange for money or other property, or as compensation for services provided to the corporation). The provision applies to stock issued after the date of enactment.

3. Rollover of gain from sale of publicly traded securities into specialized small business investment companies (SSBICs)

Under the Act, an individual or corporate taxpayer can elect to defer recognition of any capital gain realized upon the sale of publicly traded securities to the extent that the proceeds from the sale are used to buy common stock or a partnership interest in a specialized small business investment company ("SSBIC") within 60 days of the sale. The provision is limited, in the case of an individual, to $50,000 of gain per year and $500,000 of gain over a lifetime. In the case of a corporation, these limits are $250,000 and $1,000,000. The provision is effective for sales occurring on or after the date of enactment.

4. Modification of minimum tax depreciation rules

Under prior law, corporations were required to make two different depreciation calculations to determine their total alternative minimum tax liability, one to determine their alternative minimum taxable income ("AMTI"), and one to calculate their adjusted current earnings ("ACE") to determine the amount by which their AMTI should be further increased. The Act eliminates the depreciation component of the ACE adjustment for tangible personal property placed in service after December 31, 1993. Thus, corporations are to compute AMT depreciation by using the rules generally applicable to individuals (generally, for tangible personal property, using the 150-percent declining-balance method over the class life of the property).

5. Increased expensing deduction for small business

Under prior law, a small business could elect to expense (rather than depreciate) up to $10,000 of the cost of tangible personal property purchased for use in the conduct of a trade or business. The Act increases the amount allowed to be expensed annually to $17,500 for property placed in service in taxable years beginning after December 31, 1992. As under prior law, the amount that can be expensed is phased out if a taxpayer places more than $200,000 of property in service during the year.

6. Bonds for high-speed intercity rail facilities

Under prior law, 25 percent of each bond issue for high-speed intercity rail facilities required an allocation from a State private activity bond volume cap.

The Act exempts private activity bonds issued to provide high-speed intercity rail facilities from State private activity bond volume limitations. The provision applies only to government-owned rail facilities and is effective for bonds issued after December 31, 1993.

7. Extension of qualified small-issue bonds

Prior to July 1, 1992, private activity bonds could be issued to finance (a) manufacturing facilities or (b) agricultural land or property for first-time farmers (so-called "qualified small-issue bonds"). Authority to issue these bonds expired after June 30, 1992. The Act permanently extends the authority to issue qualified small-issue bonds, effective for bonds issued after June 30, 1992. The Act also provides a special rule for qualified small-issue bonds that, due to the lapse of the program, could not be issued within one year after the bond-financed property was placed in service, as currently is required under Treasury regulations.

8. Extension of the tax credit for orphan drug clinical testing expenses

Prior to July 1, 1992, a taxpayer could claim a 50-percent tax credit on certain clinical testing expenses paid or incurred in the testing of certain drugs to treat rare diseases (so-called "orphan drugs"). The orphan drug tax credit expired after June 30, 1992. The Act extends the credit for orphan drug clinical testing expenses for 30 months, from July 1, 1992, through December 31, 1994.

C. Expansion and Simplification of Earned Income Tax Credit

Under the Act, the earned income tax credit ("EITC") is expanded by (1) increasing the maximum credit available to taxpayers with one qualifying child; (2) increasing, over a three-year period, the maximum credit available to taxpayers with two or more qualifying children and lengthening the phaseout range; and (3) extending the EITC to childless taxpayers over age 24 and under age 65 who are not claimed as an exemption on another taxpayer's return (a 7.65-percent credit on the first $4,000 of earned income). The Act repeals the supplemental tax credit for children under one year of age as well as the supplemental tax credit for health insurance expenses for qualifying children. In addition, the Act requires the Internal Revenue Service to provide notice to taxpayers who receive a refund attributable to the credit that they may be eligible to receive the EITC on an advance payment basis (i.e., at the time wages are paid). The provision is effective for taxable years beginning after December 31, 1993.

In 1996, when the EITC changes are fully phased in, the following amounts represent the maximum credit and income ranges over which the credit is phased out for given taxpayers. (All dollar amounts are expressed in 1994 dollars.)

	Maximum credit	Phaseout range
Taxpayers with:		
1 qualifying child	$2,040	$11,000–23,760
2 or more qualifying children	3,370	11,000–27,000
Childless workers (over 24 and under 65)	306	5,000–9,000

D. Real Estate Investment Provisions

1. Extension and modification of qualified mortgage bonds and mortgage credit certificates

Prior to July 1, 1992, State and local governments were authorized to issue qualified mortgage bonds ("QMBs") and mortgage credit certificates ("MCCs"). QMBs are bonds the proceeds of which must be used to finance the purchase (and, in certain instances, the rehabilitation or improvement) of single-family owner-occupied residences. State and local government issuers could elect to trade in their authority to issue QMBs in exchange for authority to issue MCCs. MCCs entitle homebuyers to tax credits for a percentage of interest paid on mortgage loans on their principal residences. Authority to issue QMBs and MCCs expired after June 30, 1992. The Act permanently extends the authority to issue QMBs and to elect to trade in private activity bond volume limit for authority to issue MCCs, effective after June 30, 1992. In addition, the Act makes several programmatic changes to the QMB and MCC programs regarding housing affordability programs, contracts for deed and two-family housing.

2. Extension and modification of the low-income housing tax credit

Prior to July 1, 1992, a tax credit was available for certain costs of acquiring and constructing or substantially rehabilitating low-income residential rental housing. The maximum value of the credit (70 or 30 percent present value) depended on the nature of the costs (i.e., acquisition, or construction or rehabilitation) and whether the project received other Federal subsidies. The low-income housing tax credit expired after June 30, 1992. The Act permanently extends the low-income housing tax credit, effective after June 30, 1992. The Act also makes certain modifications to the credit program, including allowing the 70-percent credit for certain housing receiving assistance under the HOME program of the National Affordable Housing Act of 1990, effective on the date of enactment.

3. Modification of passive loss rules for certain real estate persons

Under present and prior law, passive loss rules limit deductions and credits from passive trade or business activities. Passive activities generally include trade or business activities in which the taxpayer does not materially participate. Under prior law, passive activities also included all rental activities (regardless of the taxpayer's level of participation). The Act provides that deductions and credits from rental real estate activities in which an eligible taxpayer materially participates are not subject to limitation under the passive loss rules. An individual taxpayer is eligible if more than one-half of the taxpayer's business services for the taxable year, amounting to more than 750 hours of services, are performed in real property trades or businesses in which the taxpayer materially participates. A closely held C corporation is also eligible if it meets a gross receipts test. The provision is effective for taxable years beginning after December 31, 1993.

4. Changes relating to real estate investments by pension funds and others

a. Modification of the rules related to debt-financed income

Under present and prior law, a qualified pension trust or an organization otherwise exempt from Federal income tax is taxed on income from a trade or business that is unrelated to the organization's exempt purpose (unrelated business taxable income, or "UBTI"). Certain types of income, including rents, royalties, dividends, and interest are excluded from UBTI, except when such income is derived from "debt-financed property." Income from debt-financed property also is excluded from UBTI if earned by pension trusts, educational institutions, and certain other exempt organizations that make debt-financed investments in real property, subject to certain limitations.

The Act relaxes certain of the prior-law limitations relating to debt-financed property and excludes from UBTI income a wider range of debt-financed investments in real estate. The provision is effective for acquisitions (and leases entered into) on or after January 1, 1994.

b. Repeal of the automatic UBTI rule for publicly traded partnerships

The Act repeals the rule that automatically treats income from publicly traded partnerships as UBTI. Thus, investments in publicly traded partnerships are treated the same as investments in other partnerships for purposes of the UBTI rules. The provision is effective for partnership years beginning on or after January 1, 1994.

c. Permit title-holding companies to receive small amounts of UBTI

The Act permits a title-holding company that is exempt from tax to receive UBTI (that otherwise would terminate the exempt status of such a company) of up to 10 percent of its gross income for the taxable year, provided that the UBTI is incidentally derived from the holding of real property. The provision is effective for taxable years beginning on or after January 1, 1994.

d. Exclusion from UBTI of gains from the disposition of real property acquired from financial institutions in conservatorship or receivership

The Act provides an exclusion from UBTI for income from sales of property held for sale in the ordinary course of a trade or business by excluding gains and losses from the sale, exchange, or other disposition of certain real property and mortgages acquired from financial institutions that are in conservatorship or receivership. The exclusion is limited to properties designated by the taxpayer as "disposal property" within nine months of acquisition and disposed of within two-and-a-half years of acquisition. The provision is effective for property acquired on or after January 1, 1994.

e. Exclusion of certain option premiums and loan commitment fees from UBTI

The Act expands the prior-law exception from UBTI for gains on the lapse or termination of options on securities to include gains or losses on the lapse or termination of such options (without regard to whether they are written by the organization), from options on real property, and from the forfeiture of good-faith deposits (that are consistent with established business practice) for the purchase, sale or lease of real property. In addition, the provision excludes loan commitment fees from UBTI. The provision is effective for amounts received on or after January 1, 1994.

f. Relaxation of limitations on investments in real estate investment trusts by pension funds

Under present and prior law, a real estate investment trust ("REIT") is not taxed on income distributed to shareholders. A corporation does not qualify as a REIT if, at any time during the last half of its taxable year, more than 50 percent in value of its outstanding stock is owned, directly or indirectly, by five or fewer individuals (the "five-or-fewer rule"). Under prior law, a domestic pension trust was treated as a single individual for purposes of this rule.

The Act provides that a pension trust generally is not treated as a single individual for purposes of the five-or-fewer rule. Rather, the beneficiaries of the pension trust are treated as holding stock in the REIT in proportion to their actuarial interests in the trust. The provision applies to taxable years beginning on or after January 1, 1994.

5. Treatment of certain real property business debt of individuals

Under present and prior law, discharge of debt generally gives rise to income to the debtor. Under the Act, taxpayers (other than C corporations) may elect to exclude income derived from the discharge of qualified real property business debt from gross income. In general, qualified real property business debt is debt that is incurred or assumed to acquire, construct or substantially improve real property used in a trade or business, and that is secured by such property. The amount excludable under the provision generally cannot exceed the amount by which the principal amount of the debt that is discharged exceeds the fair market value of the property securing that debt. The excludable amount also cannot exceed the taxpayer's basis in the depreciable real property. The taxpayer must reduce the basis of the depreciable real property by the excluded amount, resulting in deferral rather than current inclusion of the debt discharge income. The provision applies to discharges of debt after December 31, 1992.

6. Recovery period for depreciation of nonresidential real property

Under prior law, a taxpayer was allowed to recover over a period of 31.5 years, through annual depreciation allowances, the cost or other basis of nonresidential real property (other than land) used in a trade or business or held for the production of income. The Act lengthens the recovery period for determining the depreciation deduction with respect to nonresidential real property to 39 years.

The provision generally applies to property placed in service on or after May 13, 1993. The provision does not apply to property placed in service before January 1, 1994, if (1) the taxpayer or a qualified person entered into a binding contract to purchase or construct the property before May 13, 1993, or (2) construction of the property was commenced by or for the taxpayer or a qualified person before May 13, 1993.

E. Luxury Excise Tax; Diesel Fuel Tax for Motorboats

1. Repeal of luxury excise tax on boats, aircraft, jewelry, and furs; Index and modify luxury excise tax on automobiles

a. Repeal luxury tax on boats, aircraft, jewelry, and furs; Index threshold for automobiles

The Act repeals the 10-percent luxury excise tax imposed on boats, aircraft, jewelry, and furs, effective for sales on or after January 1, 1993. The luxury excise tax still applies to automobiles. However, the Act indexes the prior-law $30,000 threshold for post-1990 inflation. Indexation is in $2,000 increments. For 1993 sales, the applicable threshold continues to be $30,000; for 1994 sales, the applicable threshold will be $32,000.[3] In addition, passenger vehicle dealers are not required to pay the luxury tax on vehicles used as demonstrators for potential customers, effective for vehicles used after December 31, 1992.

b. Exemption from luxury excise tax for certain equipment installed on passenger vehicles for use by disabled individuals

The Act repeals the 10-percent luxury excise tax on any part or accessory installed on a passenger vehicle to enable or assist an individual with a disability to operate the vehicle, or to enter or exit the vehicle, effective for purchases after December 31, 1990.

[3] The Congress intended that the applicable threshold be $32,000 for 1993 sales on or after the date of enactment. A technical correction will be needed so that the statute reflects this intent.

2. Impose excise tax on diesel fuel used in noncommercial motorboats

The Act temporarily imposes the 20.1-cents-per-gallon diesel fuel excise tax on diesel fuel used by recreational motorboats, effective after December 31, 1993, and before January 1, 2000. Fuel used by boats for commercial fishing, transportation for compensation or hire, or for business use remains exempt from the excise tax.[4] Revenues from the 20.1-cents-per-gallon tax will be retained in the General Fund.

F. Other Provisions

1. Alternative minimum tax treatment for contributions of appreciated property

The Act provides that a contribution of appreciated property is not treated as a tax preference item for alternative minimum tax ("AMT") purposes. Thus, donors may claim the same charitable contribution deduction for both regular tax and AMT purposes. The provision is effective for gifts of tangible personal property made after June 30, 1992, and contributions of other property made after December 31, 1992.

The Conference Report includes a direction to the Treasury Department to report to the Congress within one year on the development of a procedure under which taxpayers may seek an advance valuation of certain property from the Internal Revenue Service prior to donating such property to a charity.

2. Substantiation and disclosure requirements for charitable contributions

The Act requires taxpayers who make a separate charitable contribution of $250 or more for which they claim a deduction to obtain written substantiation from the charity, rather than relying solely on a canceled check. In addition, any charity that receives a *quid pro quo* contribution exceeding $75 (meaning a payment in excess of $75 made partly as a gift and partly as consideration for goods or services furnished by the charity) is required to inform the contributor in writing of the value of the goods or services furnished by the charity; only the portion of the payment exceeding the value of the goods or services is deductible as a charitable contribution. The Act requires the written substantiation to include a general acknowledgement of intangible religious benefits not sold in commercial contexts, but such benefits need not be valued or described in detail. A charity is not required to value contributions of non-cash property claimed by the donor to be worth $250 or more. The provisions are effective for contributions made after December 31, 1993.

3. Extension of health insurance deduction for self-employed individuals

Prior to July 1, 1992, self-employed individuals were allowed to deduct as a business expense up to 25 percent of amounts paid for

[4] The 4.3-cents-per-gallon transportation fuels excise tax also applies to diesel fuel used for noncommercial motorboats, effective January 1, 1994 (see item II.D.1., below).

health insurance coverage for the taxpayer and his or her spouse or dependents. The deduction was not available if the individual or his or her spouse was eligible to participate in an employer-paid health plan. This provision expired after June 30, 1992. The Act extends the 25-percent deduction for health insurance expenses of self-employed individuals from July 1, 1992, through December 31, 1993.

In addition, under the Act, the determination of whether a self-employed individual or his or her spouse is eligible for employer-paid health benefits (and is, thus, ineligible for the 25-percent deduction) is made on a monthly basis. The latter provision applies to taxable years beginning after December 31, 1992.

II. REVENUE-RAISING PROVISIONS

A. Individual Income and Estate and Gift Tax Provisions

1. Increased tax rates for higher-income individuals

a. Individual tax rates

The Act adds two new marginal tax rates that affect higher-income individuals. A 36-percent rate applies to taxpayers with taxable incomes in excess of $140,000 (married individuals filing joint returns), $127,500 (unmarried individuals filing as head of household), and $115,000 (unmarried individuals filing as single). In addition, the Act imposes a 10-percent surtax on individuals with taxable income in excess of $250,000. The surtax is computed by applying a 39.6-percent rate to taxable income in excess of the threshold.[5] Net capital gains remain subject to a maximum 28-percent tax rate.

The Act also establishes a two-tiered alternative minimum tax system for individuals, with a 26-percent rate applying to the first $175,000 of alternative minimum taxable income in excess of the exemption amount, and a 28-percent rate applying to alternative minimum taxable income more than $175,000 in excess of the exemption amount. The exemption amount is increased from $40,000 to $45,000 for married taxpayers filing joint returns and from $30,000 to $33,750 for unmarried taxpayers.

The increased rates are effective for taxable years beginning after December 31, 1992. The Act permits individuals who are subject to the new marginal regular income tax rates to elect to pay the increased tax liability attributable to the increased rates for taxable years beginning in 1993 over a three-year period (without payment of interest or penalties). Beginning in 1995, the income thresholds for the 36- and 39.6-percent rate brackets under the regular income tax are indexed for inflation.

b. Overall limitations on itemized deductions for high-income taxpayers made permanent

Under present and prior law, individuals who do not elect the standard deduction may claim itemized deductions for certain expenses, including unreimbursed medical expenses, unreimbursed casualty and theft losses, charitable contributions, home mortgage interest (subject to certain limitations), State and local income and property taxes, unreimbursed employee business expenses, and certain other miscellaneous expenses. Certain of these deductions are

[5] The 36- and 39.6-percent rates also apply to estates and trusts with taxable incomes in excess of $5,500 and $7,500, respectively. In addition, the Act adjusts the rate brackets applicable to estates and trusts, so that a 15-percent rate applies to income up to $1,500, a 28-percent rate applies to income between $1,500 and $3,500, and a 31-percent rate applies to income between $3,500 and $5,500.

allowed only to the extent that the amount of the deduction exceeds a percentage of the taxpayer's adjusted gross income ("AGI"). In addition, the total amount of otherwise allowable itemized deductions is limited (but not reduced by more than 80 percent) if an individual taxpayer's AGI exceeds $108,450 in 1993 (indexed for inflation). Under prior law, this limitation was to expire after December 31, 1995. The Act permanently extends the limitation on itemized deductions.

c. Phaseout of personal exemption of high-income taxpayers made permanent

Under present and prior law, individuals are allowed to claim a personal exemption deduction for themselves, their spouse, and each dependent. However, the amount of exemptions that may be claimed is phased out to the extent a taxpayer's adjusted gross income exceeds certain threshold amounts. Under prior law, this phaseout provision was to expire after December 31, 1996. The Act permanently extends the phaseout of personal exemptions.

2. Provisions to prevent conversion of ordinary income to capital gain

a. Recharacterization of capital gain as ordinary income for certain financial transactions

The Act requires that a portion of income derived from certain "conversion transactions" be taxed as ordinary income rather than as capital gain. In general, conversion transactions are transactions where substantially all of the taxpayer's return is essentially equivalent to interest income. The Act provides that transactions of options dealers and commodities traders in the normal course of their trades or businesses are not conversion transactions (subject to certain specific exceptions); thus, income derived from these transactions will be eligible for capital gain treatment. The provision is effective for conversion transactions entered into after April 30, 1993.

b. Repeal of certain exceptions to the market discount rules

Under present and prior law, a market discount bond is a bond that is acquired for a price less than the principal amount of the bond. Because market discount is essentially equivalent to interest income, gain on the sale of a market discount bond generally is treated as ordinary income, rather than capital gain, to the extent of the market discount. Under prior law, this ordinary income rule did not apply, however, to tax-exempt obligations or to market discount bonds issued before July 19, 1984. The Act extends the ordinary income rule to tax-exempt obligations and taxable bonds issued on or before July 18, 1984. The provision is effective for bonds purchased after April 30, 1993.

c. Accrual of income by holders of stripped preferred stock

The Act provides that certain holders of "stripped preferred stock" (preferred stock for which the right of ownership has been separated from the right to receive future dividend payments) generally are treated in the same manner as are purchasers of stripped bonds under the original issue discount ("OID") rules. Thus, an amount equal to the difference between the stated redemption price and the purchase price of the stock is treated as ordinary income, and a portion of this amount must be included in income annually. The provision is effective for stripped preferred stock purchased after April 30, 1993.

d. Treatment of net capital gain as investment income

Under present and prior law, the amount of interest that a taxpayer (other than a corporation) can deduct on debt attributable to property held for investment is limited to the taxpayer's net investment income. Under prior law, investment income included gross income from investment property and any net capital gain attributable to the disposition of such property. The Act excludes net capital gain from the definition of investment income for purposes of computing the investment interest limitation. However, a taxpayer may elect to include net capital gain in investment income and forego the benefit of the 28-percent maximum capital gains rate on the included amount. The provision is effective for taxable years beginning after December 31, 1992.

e. Definition of substantially appreciated inventory

Under present and prior law, amounts received by a partner in exchange for the partner's interest in a partnership are treated as ordinary income (rather than capital gain) if they are attributable to "substantially appreciated inventory" of the partnership. Under prior law, this rule generally only applied if the value of a partnership's inventory exceeds 120 percent of its adjusted basis and 10 percent of the value of all partnership property (other than money). The Act eliminates the 10-percent threshold. Thus, if a partnership's inventory is worth more than 120 percent of its adjusted basis, it will be treated as substantially appreciated. In addition, the Act provides a rule to prevent taxpayers from manipulating the 120-percent test to avoid ordinary income treatment. The provision applies to sales, exchanges, and distributions occurring after April 30, 1993.

3. Repeal health insurance wage base cap

The Act repeals the dollar limit on wages and self-employment income subject to the Medicare hospital insurance ("HI") tax. (The limit is $135,000 for 1993.) The provision is effective for wages and self-employment income received after December 31, 1993.

4. Reinstate top estate and gift tax rates

The Act reinstates the two highest estate and gift tax rates that expired at the end of 1992. Thus, for taxable transfers over $2.5 million but not over $3 million, the marginal estate and gift tax rate is 53 percent. For taxable transfers over $3 million, the marginal estate and gift tax rate is 55 percent. Also, because the generation-skipping transfer tax is computed by reference to the maximum Federal estate tax rate, the rate of tax on generation-skipping transfers is 55 percent. The provision is effective for decedents dying, gifts made, and generation-skipping transfers occurring after December 31, 1992.

5. Reduce deductible portion of business meals and entertainment expenses

Under prior law, taxpayers were permitted to deduct 80 percent of meal and entertainment expenses incurred for business purposes, if certain legal and substantiation requirements were satisfied. The Act reduces the deductible portion of otherwise allowable business meals and entertainment expenses to 50 percent. The provision is effective for taxable years beginning after December 31, 1993.

6. Deny deduction for club dues

The Act prohibits any deduction for club dues. This rule applies to all types of clubs (including hotel and airline clubs). Specific expenses (e.g., meal expenses) incurred at a club are deductible to the extent they otherwise satisfy the standards for deductibility. The provision is effective for amounts paid or incurred after December 31, 1993.

7. Deny deduction for executive pay over $1 million

The Act limits, for purposes of the regular income tax and the alternative minimum tax, the deduction allowable to corporations for compensation paid or accrued with respect to the top five executives of a publicly held corporation to no more than $1 million per year. The top five executives are the chief executive officer of the corporation and the four other most highly paid officers, as determined under rules of the Securities and Exchange Commission. In general, this deduction limitation applies to all remuneration for services, including cash and the cash value of all non-cash remuneration (including benefits). However, the following types of compensation are not subject to the limitation: (1) remuneration payable on a commission basis; (2) remuneration payable solely on account of the attainment of one or more performance goals if certain outside director and shareholder approval requirements are met; (3) payments to a tax-qualified retirement plan (including salary reduction contributions); (4) amounts that are excludable from the executive's gross income (such as employer-provided health benefits and miscellaneous fringe benefits); and (5) any remuneration payable under a written binding contract that was in effect on February 17, 1993, and remains in effect without material modification. In general, stock options and other stock appreciation rights meet the requirements for performance-based compensation because the amount of compensation that will be received depends solely on increases in the value of the corporation's stock. The limitation applies to compensation that is otherwise deductible by a corporation in a taxable year beginning after December 31, 1993.

8. Reduce compensation taken into account for qualified retirement plan purposes

Present and prior law limits the amount of a participant's compensation that can be taken into account under a tax-qualified pension plan. The compensation limit applies for purposes of determining the amount of an employer's deduction for contributions to a tax-qualified pension plan and the amount of the participant's benefits. The limit for 1993 is $235,890. The Act reduces the amount of compensation that can be taken into account under a tax-qualified plan to $150,000 (indexed for inflation in $10,000 increments). The provision is effective for benefits accruing in plan years beginning after December 31, 1993. A delayed effective date applies to collectively bargained plans and a special grandfather rule applies to eligible participants in governmental plans.

9. Modify deduction for moving expenses

Under present and prior law, an employee or self-employed individual may deduct from gross income certain expenses incurred as a result of moving to a new residence in connection with beginning work at a new location (subject to certain dollar limitations). For the taxpayer to claim the deduction under prior law, his or her new principal place of work must have been at least 35 miles farther from the former residence than was the taxpayer's former principal place of work. In general, the type of expenses deductible under prior law were the expenses of transporting a taxpayer's household goods and personal effects to a new residence, the cost of meals and lodging enroute, the expenses for pre-move househunting trips, temporary living expenses for up to 30 days in the general location of the new residence, and certain expenses related to either the sale of the old residence or the acquisition of the new residence.

Under the Act, deductible moving expenses include only the expenses of moving household goods and personal effects and of traveling (including lodging, but excluding meals) from the former residence to the new place of residence. The Act also increases the mileage threshold (below which moving expenses are not deductible) from 35 to 50 miles. The Act provides that allowable moving expenses paid by an employer (whether directly or by reimbursement) are excludable from gross income and that unreimbursed allowable moving expenses are deductible in calculating adjusted gross income. The provision is generally effective for expenses incurred after December 31, 1993.

10. Modify estimated tax requirements for individuals

Under present and prior law, individual taxpayers are subject to an addition to tax for underpayments of estimated tax. Under prior law, a taxpayer did not have underpayments of estimated tax if he or she made estimated tax payments equal to (1) 100 percent of last year's tax liability or (2) 90 percent of the current year's tax liability. Some individuals were denied the use of the 100-percent of last year's liability safe harbor.

The Act repeals a special rule that denies the use of the 100-percent of last year's liability safe harbor to certain individuals. In its place, the Act raises the 100-percent of last year's liability safe harbor contained in the provision to 110-percent of last year's liability for any individual with an adjusted gross income ("AGI") of more than $150,000, as shown on the individual's income tax return for the preceding taxable year. Under the provision, individuals with a preceding year AGI of $150,000 or less can still use the 100-percent of last year's liability safe harbor. All individuals may continue to pay estimated taxes based on 90 percent of the taxpayer's current year tax liability. The provision is effective for taxable years beginning after December 31, 1993.

11. Increase taxable portion of Social Security and Railroad Retirement Tier 1 benefits

Under present and prior law, taxpayers are required to include in gross income a portion of their Social Security benefits when their provisional income exceeds a threshold amount. Under present and prior law, provisional income is defined for this purpose as adjusted gross income, plus tax-exempt interest, plus certain foreign source income, plus one-half of Social Security benefits. Under prior law, the threshold amount was $32,000 for married taxpayers filing joint returns and $25,000 for unmarried taxpayers. For persons whose provisional income exceeded the applicable threshold amount, the amount of Social Security benefits includible in income was the lesser of 50 percent of Social Security benefits, or 50 percent of the amount by which provisional income exceeded the applicable threshold. A similar rule applied to Railroad Retirement Tier 1 benefits.

The Act creates a second tier of Social Security benefit inclusion in gross income. The second tier threshold applies to taxpayers with provisional income greater than $34,000 for unmarried taxpayers or $44,000 for married taxpayers filing joint returns. For these taxpayers, gross income includes the lesser of:

- (1) 85 percent of the taxpayer's Social Security benefit; or
- (2) the sum of:
  - (a) the smaller of:
    - (i) the amount included under prior law; or
    - (ii) $4,500 (for unmarried taxpayers) or $6,000 (for married taxpayers filing joint returns); and
  - (b) 85 percent of the excess of the taxpayer's provisional income over the applicable new threshold amounts.

For married taxpayers filing separate returns, gross income includes the lesser of 85 percent of the taxpayer's Social Security benefit or 85 percent of the taxpayer's provisional income. A corresponding change applies to the taxation of Railroad Retirement Tier 1 benefits.

Revenues from the income taxation of Social Security and Railroad Retirement Tier 1 benefits attributable to the increased portion of benefits included in gross income are to be transferred to the Medicare Hospital Insurance Trust Fund.

The provision is effective for taxable years beginning after December 31, 1993.

B. Business Provisions

1. Increase corporate tax rate

The Act establishes a new 35-percent marginal tax rate on corporate taxable income (including net capital gains) in excess of $10 million, effective for taxable years beginning on or after January 1, 1993. A fiscal year corporation is required to use a "blended rate" that reflects the increased rate for its fiscal year that includes January 1, 1993.

A corporation with taxable income in excess of $15 million is required to increase its tax liability by the lesser of 3 percent of the excess or $100,000. This increase in tax phases out the benefits of the existing 34-percent marginal rate.

2. Disallowance of deduction for certain lobbying expenses

The Act provides that taxpayers may not deduct as a business expense amounts incurred in an attempt to influence Federal or State (but not local) legislation through communication with members or employees of legislative bodies or other government officials who may participate in the formulation of legislation. The Act also disallows a deduction for costs of contacting certain high-ranking Federal executive branch officials in an attempt to influence their official actions or positions. The provision contains a flow-through rule to disallow a business deduction for a portion of membership dues paid to a trade organization or other non-charitable organization that engages in lobbying, unless the organization pays a 35-percent proxy tax on its lobbying expenditures.

The Act also provides a $2,000-per-taxpayer *de minimis* exception for in-house lobbying expenditures, as well as an anti-avoidance rule for certain business contributions to charities (but no reporting by charities is required).

The provision is effective for amounts paid after December 31, 1993.

3. Mark-to-market accounting method for securities dealers

The Act applies two general rules (the "mark-to-market rules") to certain securities that are held by a dealer in securities. First, any such security that is inventory in the hands of the dealer is included in inventory at its fair market value. Second, any such security that is not inventory in the hands of the dealer and that is held as of the close of any taxable year is treated as sold by the dealer for its fair market value on the last business day of the taxable year and any gain or loss must be taken into account by the dealer in determining gross income for that taxable year. Gain or loss taken into account under the mark-to-market rules generally is treated as ordinary gain or loss.

The provision applies to taxable years ending on or after December 31, 1993.

4. Tax treatment of certain FSLIC financial assistance

The Act provides that thrift institutions cannot deduct losses on the disposition or writing-down of assets that are reimbursed by the Federal Savings and Loan Insurance Corporation ("FSLIC"). The provision is effective for FSLIC assistance credited on or after March 4, 1991, for taxable years ending on or after March 4, 1991.

5. Modify corporate estimated tax rules

Under present and prior law, a corporation is subject to an addition to tax for any underpayment of estimated tax. Under prior law, a corporation did not have any underpayment of estimated tax if it made tax payments equal to 97 percent (91 percent for years after 1996) of the current year's tax liability. Small corporations could base their current estimated tax payments on 100 percent of last year's tax liability. The Act provides that, for taxable years beginning after December 31, 1993, a corporation that does not use the 100-percent of last year's liability safe harbor for its estimated tax payments is required to base its estimated tax payments on 100 percent (rather than 97 percent or 91 percent) of its current year tax liability. The Act also modifies the rules regarding how a corporation estimates its current year tax liability.

6. Repeal stock-for-debt exception to cancellation of indebtedness income

Under present and prior law, gross income generally includes cancellation of indebtedness ("COD") income. However, a bankrupt or insolvent corporation that transfers stock to a creditor to satisfy a debt is not required to include in COD income any amount by which the amount of the debt exceeds the value of the stock transferred (the so-called "stock-for-debt" exception). The Act repeals the stock-for-debt exception for stock transferred after December 31, 1994, except with respect to a title 11 bankruptcy case filed on or before December 31, 1993. Thus, after the effective date, the transfer of stock by a bankrupt or insolvent corporation in satisfaction of its indebtedness will give rise to COD income to the extent the amount of debt forgiven exceeds the fair market value of the stock. However, a corporation may reduce its tax attributes rather than pay current tax on the COD income.

7. Treatment of passive activity losses and credits and alternative minimum tax credits in certain discharges of indebtedness

Under present and prior law, discharge of debt generally gives rise to income to the debtor. If the discharge occurs in a title 11 (bankruptcy) case, or when the taxpayer is insolvent, or in the case of certain farm debt, then the debt discharge income generally is excluded from the taxpayer's income in the year of the discharge. The amount excluded from income under these exceptions is applied to reduce the taxpayer's tax attributes (including carryovers of losses and credits, and the basis of assets). The reduction of tax attributes has the effect of deferring (not permanently excluding) the debt discharge income. The Act adds (1) alternative minimum tax credits and (2) passive activity loss and credit carryovers to the tax attributes that are reduced. The provision is effective for discharges of debt in taxable years beginning after December 31, 1993.

8. Limitation on section 936 credit

Under prior law, U.S. corporations with business operations in the U.S. possessions (e.g., Puerto Rico) could elect the use of the section 936 credit which generally eliminated the U.S. tax on both their active business income and passive investment income related to their operations in the possessions. In general, the Act provides that the section 936 credit allowed to a possession corporation for a taxable year against U.S. tax on its active business income is determined as under prior law, but is subject to one of two alternative limitations. The taxpayer may choose which limitation to apply. One limitation is based on factors that reflect the corporation's economic activity in the possessions (i.e., compensation, depreciation, and certain taxes paid). The other limitation is based on a statutorily defined percentage of the credit that would be allowable under prior-law rules. The Act does not limit the section 936 credit against U.S. tax on passive investment income. The provision is effective for taxable years beginning after December 31, 1993.

In addition, the Act temporarily increases the amount of distilled spirit excise taxes on rum transferred by the United States to the treasuries of Puerto Rico and the Virgin Islands from $10.50 per proof gallon to $11.30 per proof gallon. This provision applies in the case of rum brought into the United States during the five-year period beginning on October 1, 1993.

9. Enhanced earnings stripping rules

Under present and prior law, the earnings stripping rules prohibit a thinly capitalized corporation from taking a current deduction for certain excessive interest paid to a related party if the interest income is exempt from U.S. taxation. The Act provides that interest on certain loans from *unrelated* lenders will be treated in the same manner. For this treatment to apply to interest on a loan from an unrelated lender, the loan must be guaranteed by a related party that is exempt from Federal income tax, and there must be no gross-basis tax imposed by the United States on the interest. The provision applies to interest paid or accrued in any taxable year beginning after December 31, 1993.

C. Foreign Provisions

1. Current taxation of certain earnings of controlled foreign corporations

The Act limits the availability of deferral of U.S. tax on certain earnings of controlled foreign corporations by requiring U.S. shareholders of a controlled foreign corporation to include in income the corporation's accumulated earnings invested in excess passive assets. The provision conforms the treatment of earnings of controlled foreign corporations invested in U.S. property to the new rules for earnings invested in excess passive assets. The provision also makes related modifications to other rules applicable to controlled foreign corporations and passive foreign investment companies, including a special modification applicable in the case of research and experimentation expenditures and certain payments for the use of property. The provision is applicable to taxable years beginning after September 30, 1993.

2. Allocation of research expenditures

The Act provides a temporary rule for allocation of research expenses between U.S. and foreign income. The rule generally is identical to existing temporary rules for allocating research expenses, except that the percentage of U.S.-incurred research expenses allocated to U.S. source income (and the percentage of foreign-incurred research expenses allocated to foreign source income) is 50 instead of 64. The provision applies to the taxpayer's first taxable year (beginning on or before August 1, 1994) beginning immediately after the taxpayer's last taxable year to which Revenue Procedure 92-56 applies, or would have applied had the taxpayer elected the benefits of the Revenue Procedure (which generally applies to a taxpayer's first two taxable years beginning after August 1, 1991).

3. Eliminate working capital exception for foreign tax credit for foreign oil and gas and shipping income

The Act limits taxpayers' ability to cross-credit foreign taxes on foreign oil and gas extraction income ("FOGEI"), foreign oil related income ("FORI"), and shipping income for taxable years beginning after December 31, 1992, by placing certain passive income related to oil and gas and shipping operations in the separate foreign tax credit limitation basket for passive income. In addition, the provision excludes certain passive income related to foreign oil and gas activities from the computation of special foreign tax credit limitations for FOGEI and FORI.

4. Transfer pricing initiative

The Act strengthens penalties for substantial and gross valuation misstatements in connection with transactions that result in transfer price adjustments for taxable years beginning after December 31, 1993. This is accomplished by lowering the threshold amount of adjustment that triggers the penalties, and by imposing documentation requirements that must be satisfied in order to avoid imposition of the penalties in cases where the thresholds are otherwise exceeded.

5. Deny portfolio interest exemption for contingent interest

Under present and prior law, certain types of U.S.-source interest (referred to as "portfolio interest") earned by foreign persons are exempt from U.S. income tax. The Act makes the exemption from income for the receipt of portfolio interest obligations inapplicable to certain interest income the payment of which is contingent (for example, on the profitability of the borrower). The provision applies to interest received by foreign persons after 1993. The provision does not override existing tax treaties that reduce or eliminate U.S. withholding tax on interest paid to foreign persons. The provision does not apply to interest with respect to any indebtedness with a fixed term that was issued on or before April 7, 1993.

In addition, the Act includes a rule to determine the estate tax treatment of debt instruments that provide for both interest described as contingent under the provision and interest not so described. Under the Act, an appropriate portion (determined in a manner prescribed by the Treasury) of the value of the instrument is treated as property within the United States and, thus, is included in the gross estate of a nonresident noncitizen decedent.

6. Regulatory authority to address multiple-party financing arrangements

The Act authorizes the Treasury Department to promulgate regulations that set forth rules for recharacterizing any multiple-party financing transaction as a transaction directly among any two or more of such parties where the Secretary determines that such recharacterization is appropriate to prevent avoidance of any tax imposed by the Internal Revenue Code. The provision applies to back-to-back loan transactions and other financing transactions as well. The provision is effective on the date of enactment.

7. Exports of certain unprocessed softwood timber

The Act modifies certain provisions of the Internal Revenue Code as they apply to exporters of unprocessed softwood timber. The provision removes foreign sales corporation ("FSC"), domestic international sales corporation ("DISC"), and deferral benefits with respect to income from exports of such timber in transactions occurring after the date of enactment, and reduces taxpayers' ability to shelter this income from U.S. tax via the foreign tax credit.

More specifically, for purposes of both the FSC and DISC rules, the provision excludes from the definition of "export property" any unprocessed softwood timber. Further, the provision treats as subpart F foreign base company sales income any income derived by a controlled foreign corporation in connection with the sale of any unprocessed softwood timber cut from an area located in the United States. In addition, the provision treats as subpart F foreign base company sales income any income derived by a controlled foreign corporation from the milling of any such timber outside the United States. Any income treated as subpart F income under the Act that is earned by an export trade corporation is not subject to reduction by the export trade income of the corporation. Finally, any income from the sale of any unprocessed softwood timber cut from an area located in the United States is domestic source income under the provision.

D. Energy and Motor Fuels Tax Provisions

1. Transportation fuels tax increase

The Act imposes a permanent excise tax of 4.3 cents per gallon on: (1) all transportation fuels currently subject to the Leaking Underground Storage Tank Trust Fund ("LUST") excise tax; (2) liquefied petroleum gases currently taxable as special motor fuels; and (3) diesel fuel used in noncommercial motorboats. In addition, a tax of 48.54 cents per mcf, at standard temperature and pressure (thousand cubic feet), is imposed on compressed natural gas used in highway vehicles or motorboats. Taxable fuel uses include motor fuels (gasoline, diesel fuel, compressed natural gas, and special motor fuels) used for highway transportation or in motorboats; gasoline used in off-highway non-business uses (e.g. small-engine and recreational trail uses); diesel fuel used in trains; fuels used in inland waterways transportation; and gasoline and jet fuels used in aviation. Fuels used in commercial aviation are exempt from the tax until October 1, 1995.

The new excise tax generally is collected in the same manner as are existing excise taxes on these fuels (i.e., the tax on gasoline and diesel fuel is collected on removal of these fuels from registered terminal facilities, the tax on special motor fuels is collected on the retail sale of these fuels, and the tax on fuels used in inland waterways is collected on the use of these fuels). The tax on compressed natural gas is collected on the retail sale (or use) of the fuel.

Fuel uses that are exempt from the LUST tax generally are exempt from the new tax. Exempt uses include, for example, number two distillate used as heating oil; gasoline and diesel fuel used on farms for farming purposes; fuels used for off-highway business uses (such as to operate stationary pumps or compressors or in construction vehicles or fishing vessels); diesel fuel used in commercial motorboats; fuels used by State and local governments and nonprofit schools, as well as in school and certain intra-city buses operated by private contractors; exported fuels; fuels used in international aviation; and, fuels used in international and domestic shipping (other than shipping on the inland waterways system).

Revenues from the 4.3-cents-per-gallon tax will be retained in the General Fund. The provision generally is effective on October 1, 1993.

2. Modification of the collection of the diesel fuel excise tax

The Act provides that the diesel fuel excise tax is to be collected on removal from a terminal (i.e., at the terminal rack) under generally the same rules as the gasoline tax currently is collected. Unlike the gasoline tax, however, diesel fuel destined for an exempt use is not taxed as the fuel is removed from the terminal if it is dyed in accordance with certain requirements. The Act also provides for Treasury Department designation of colors.

The Act allows refunds, as under prior law, for tax-paid fuel used in an exempt use. However, vendors to farmers and State and local governments are required to apply for refunds for these exempt users if the vendors sell tax-paid fuel to these persons for use in an exempt use. Under the Act, the provision applies the tax to diesel fuel removed from terminals after December 31, 1993.

3. Extend the 2.5-cents-per-gallon motor fuels excise tax rate; Transfer of revenues

The Act extends the 2.5-cents-per-gallon motor fuels deficit reduction excise tax rate from October 1, 1995, through December 31, 1999, and dedicates certain of those revenues to the Highway Trust Fund. Revenues from the 2.5-cents-per-gallon tax from highway uses of gasoline, diesel fuel, and special motor fuels will be deposited in the Highway Trust Fund, with revenues equivalent to 2 cents per gallon of the tax being deposited in the Highway Account of that Trust Fund, and revenues equivalent to 0.5 cents per gallon of the tax being deposited in the Mass Transit Account. The Act reduces the excise tax rate on railroads to 1.25 cents per gallon during the extension period. Revenues from this railroad tax and the full 2.5-cents-per-gallon tax on all other fuel uses will be retained in the General Fund.

E. Compliance Provisions

1. Raise standard for accuracy-related penalty

Under present and prior law, a taxpayer must pay a penalty on any portion of an underpayment of tax that is attributable to a substantial understatement of income tax on a return. Under prior law, this penalty generally could be avoided where the position taken on the return or claim for refund was adequately disclosed and was not "frivolous."

The Act replaces the "not frivolous" standard with a "reasonable basis" standard for purposes of the accuracy-related penalty. Thus, the penalty may be avoided by adequately disclosing a return position only if the position has at least a reasonable basis. The provision applies to tax returns due (without regard to extensions) after December 31, 1993.

2. Information returns relating to the discharge of indebtedness by certain financial entities

The Act requires the Federal Deposit Insurance Corporation, the Resolution Trust Corporation, certain Federal executive agencies, and certain other financial institutions to file information returns with the Internal Revenue Service regarding any discharge of indebtedness of $600 or more. The information return must contain the name, address, and taxpayer identification number of the person whose debt was discharged, the amount of debt discharged, and the date on which the debt was discharged. The same information also must be provided to the person whose debt is discharged. The provision generally applies to discharges of indebtedness occurring on or after January 1, 1994, except that the provision applies to discharges of indebtedness by government entities after the date of enactment.

F. Treatment of Intangibles

1. Amortization of goodwill and certain other intangible assets

The Act provides a uniform straight-line amortization method for certain acquired intangible assets, including goodwill, with an amortization period of 15 years. The Act adds a special nine-year amortization period for purchased mortgage servicing rights ("PMSRs"). The provision generally applies to acquisitions after the date of enactment, and, on an elective basis, to all property acquired after July 25, 1991.

2. Modify special treatment of certain liquidation payments

The Act modifies the partnership treatment of certain payments to withdrawing partners for goodwill by treating liquidation payments with respect to goodwill as made in exchange for the partner's interest in the partnership (and, thus, nondeductible except under the provisions for amortization of goodwill), rather than as payments that could give rise to an immediate partnership deduction. The provision also affects payments for unrealized receivables. The provision generally applies to partners retiring or dying after January 5, 1993.

G. Miscellaneous Revenue-Raising Provisions

1. Expansion of 45-day interest-free period for certain refunds

Under present and prior law, no interest is paid by the Federal Government on a refund arising from an original income tax return if the refund is issued by the 45th day after the later of the due date for the return (determined without regard to any extensions) or the date the return is filed. The Act provides similar treatment (i.e., a 45-day, interest-free processing period) with respect to taxes other than income taxes (i.e., employment, excise, and estate and gift taxes), for refunds of any type of tax arising from amended returns, for claims for refunds of any type of tax, and for Internal Revenue Service-initiated adjustments. The provision is effective with respect to returns required to be filed (without regard to extensions) on or after January 1, 1994, with respect to amended returns and claims for refunds filed on or after January 1, 1995 (regardless of the taxable period to which they relate), and with respect to refunds relating to Internal Revenue Service-initiated adjustments paid on or after January 1, 1995 (regardless of the taxable period to which they relate).

2. Deny deductions relating to travel expenses paid or incurred in connection with travel of taxpayer's spouse or dependents

The Act denies a deduction for travel expenses paid or incurred with respect to a spouse, dependent, or other individual accompanying a taxpayer on business travel, unless that travel companion is a bona fide employee of the taxpayer paying or reimbursing the expenses, the companion's travel is for a bona fide business purpose, and the companion's expenses would otherwise be deductible. The denial of the deduction does not apply to expenses that would otherwise qualify as deductible moving expenses. The provision is effective for amounts paid or incurred after December 31, 1993.

3. Increase withholding rate on supplemental wage payments

The Act increases the applicable withholding rate on supplemental wage payments (such as bonuses, commissions, and overtime pay) from 20 percent to 28 percent. The provision is effective for payments made after December 31, 1993.

III. EMPOWERMENT ZONES AND ENTERPRISE COMMUNITIES

1. Tax benefits for empowerment zones and enterprise communities

Under the Act, nine empowerment zones and 95 enterprise communities will be designated in 1994 and 1995. The Secretary of Housing and Urban Development will designate in urban areas six empowerment zones and 65 enterprise communities; the Secretary of Agriculture will designate in rural areas three empowerment zones and 30 enterprise communities. Indian reservations are not eligible for designation as empowerment zones or enterprise communities, but receive separate tax incentives (see item III.3., below).

Designated empowerment zones and enterprise communities must satisfy certain eligibility criteria, including specified poverty rates and population and geographic size limitations.

The provision makes available the following tax incentives in empowerment zones: (1) a 20-percent employer wage credit for the first $15,000 of wages paid to a zone resident who works in the zone; (2) an additional $20,000 of section 179 expensing for certain zone business property (accordingly, certain businesses operating in empowerment zones are allowed up to $37,500 of expensing under the Act); and (3) expanded tax-exempt financing for certain zone facilities.

Under the Act, the 95 enterprise communities are eligible for the expanded tax-exempt financing benefits, described above, but not the other tax incentives available in empowerment zones.

The tax incentives for empowerment zones and enterprise communities generally will be available during the period that the designation remains in effect. Generally, each designation will remain in effect for 10 years.

2. Tax credit for contributions to certain community development corporations

The Act provides a tax credit for certain contributions to community development corporations ("CDCs") selected by the Secretary of Housing and Urban Development ("HUD") to provide assistance in economically distressed areas. The Secretary of HUD may select up to 20 CDCs to participate in the program (at least eight of which must operate in rural areas), and the aggregate amount of contributions that may be designated by a CDC as eligible for the credit may not exceed $2 million.

3. Tax incentives for businesses on Indian reservations

The Act provides two tax incentives for all Indian reservations: (1) enhanced accelerated depreciation for certain property used in the conduct of a trade or business on a reservation (and certain connecting infrastructure property); and (2) a 20-percent incremental employer wage credit for wages and health insurance costs (up to $20,000 per employee) paid to tribal members and spouses who work on, and live on or near, a reservation. The credit is available only to the extent that the sum of current-year qualified wages and health costs exceeds the sum of comparable costs for 1993. These incentives are not available with respect to gambling activities. The enhanced accelerated depreciation for Indian reservations is available with respect to property placed in service on or after January 1, 1994, and before December 31, 2003. The wage credit is available for wages paid or incurred on or after January 1, 1994, in a taxable year that begins before December 31, 2003.

IV. OTHER REVENUE PROVISIONS

A. Disclosure Provisions

1. Extend access to tax information for the Department of Veterans Affairs

Under present and prior law, the Treasury Department is authorized to disclose certain tax information to the Department of Veterans Affairs ("DVA") to assist DVA in establishing eligibility for, and the correct benefit amounts under, certain needs-based pension and other programs. Under prior law, the DVA disclosure provision was scheduled to expire after September 30, 1997. The Act extends the authority to disclose tax information to the DVA for one year, through September 30, 1998.

2. Access to tax information by the Department of Education

The Act allows the Department of Education access to certain tax return information in order to implement an income-contingent student loan repayment program. The only information the Department of Education is permitted to obtain is the name, address, taxpayer identification number, filing status, and adjusted gross income of the former student. Disclosure of this information may be made only to Department of Education employees and may only be used by these employees in establishing the appropriate income-contingent repayment amount. Authority to disclose tax information to the Department of Education expires after September 30, 1998.

The Act also permanently authorizes the Department of Education to obtain the mailing address of any taxpayer who has received more than the proper amount on a Federal Pell grant or who has defaulted on certain additional student loans administered by the Department of Education.

The Conference Report directs the Treasury Department, in consultation with the Department of Education, to study the feasibility of IRS collection of student loans and to report back to the Congress with any legislative recommendations within six months.

3. Access to tax information by the Department of Housing and Urban Development

The Act permits disclosure of certain tax information by the Treasury Department to employees of the Department of Housing and Urban Development ("HUD") for use in verifying eligibility for, and the correct amount of benefits payable under, various HUD programs. Authority to disclose tax information to HUD expires after September 30, 1998.

B. Increase in Public Debt Limit

The Act increases the statutory limit on the public debt to $4.9 trillion to comply with budget reconciliation instructions. This replaces the prior temporary debt limit of $4.37 trillion, which was scheduled to expire on October 1, 1993.

C. Vaccine Provisions

1. Extension of vaccine excise tax

Prior to January 1, 1993, an excise tax was imposed on certain vaccines, and proceeds of the tax were used to fund the Vaccine Injury Compensation Trust Fund ("Vaccine Trust Fund"). The tax expired after December 31, 1992. The Act permanently extends the excise tax on certain vaccines, effective on the date of enactment. In addition, authorization for compensation to be paid from the Vaccine Trust Fund under the National Vaccination Compensation Program is permanently extended, effective for vaccines administered on or after October 1, 1992. The Conference Report requests that the Secretary of the Treasury, in consultation with the Secretary of Health and Human Services, perform a study of the Vaccine Trust Fund, vaccine taxes, and related matters, due one year after the date of enactment.

2. Pediatric vaccine health care coverage

The Act provides that health plans that covered the cost of pediatric vaccines as of May 1, 1993, and fail to continue that level of coverage will be subject to the excise tax penalty (under Code sec. 4980B(f)) applicable to plans that fail to meet the health care continuation coverage requirements.

D. Other Revenue-Related Provisions

1. Disaster relief for individuals whose principal residences were damaged by Presidentially declared disasters

The Act contains provisions applicable to taxpayers whose principal residence (or any of its contents) is involuntarily converted as a result of a Presidentially declared disaster. In such cases, the receipt of insurance proceeds for unscheduled personal property that was part of the contents of such residence will not cause the taxpayer to recognize gain. In the case of any other insurance proceeds for a residence or its contents, the proceeds may be treated as a common pool of funds. If such pool of funds is used to purchase any property similar in use to the converted residence (or its contents), a taxpayer may elect to recognize gain only to the extent that the amount of the pool of funds exceeds the cost of the replacement property.

In addition, the Act extends the time period from two to four years within which property that is involuntarily converted as a result of a Presidentially declared disaster must be replaced.

The provisions are effective for property involuntarily converted as a result of disasters for which a Presidential declaration is made on or after September 1, 1991.

2. Increase amount of Presidential Election Campaign Fund checkoff

The Act increases the amount of the Presidential Election Campaign Fund voluntary designation on individual income tax returns from $1 to $3, effective for tax returns filed after December 31, 1993.

3. Disallowance of deduction for amounts paid or incurred in connection with certain noncomplying group health plans

The Act prohibits employers from deducting costs of health coverage provided to participants under a group health plan if the plan fails to reimburse hospitals for inpatient services at the rate specified under the laws of the State of New York. The provision is effective with respect to inpatient hospital services provided to participants after February 2, 1993, and on or before May 12, 1995.

4. Employer tax credit for FICA taxes paid on tip income

Under present and prior law, all employee tip income is treated as employer-provided wages for purposes of the Federal Unemployment Tax Act ("FUTA") and the Federal Insurance Contributions Act ("FICA"). For purposes of the minimum wage provisions of the Fair Labor Standards Act, reported tips (up to one-half of the amount of the minimum wage) are treated as employer-provided wages. The Act provides food and beverage establishments with a business tax credit in an amount equal to the employer's FICA tax obligation attributable to reported tips in excess of those treated as wages for purposes of satisfying the minimum wage laws. A food or beverage establishment is any trade or business (or portion thereof) which provides food or beverages for consumption on the premises and with respect to which the tipping of employees serving food and beverages is customary. No credit is allowed with respect to FICA taxes paid on tips that are not received in connection with the provision of food or beverages. The provision is effective for FICA taxes paid with respect to services performed after December 31, 1993.

5. Availability and use of death certificate information

The Act prohibits disclosure of Federal tax returns or return information to any State in connection with the administration of State tax laws if the State has not entered into a contract to provide death certificate information to the Secretary of Health and Human Services, or if the State is a party to a contract with the Secretary that includes any restrictions (subject to certain limited exceptions) on the use of the death information provided to the Secretary by the State. The provision is generally effective one year after the date of enactment.

APPENDICES*

*The tables in Appendix A and B were previously released as Joint Committee on Taxation document JCX–11–93, August 4, 1993.

APPENDIX A: Estimated Budget Effects of the Revenue Provisions of H.R. 2264 (The Omnibus Budget Reconciliation Act of 1993) as Passed by the Congress, Fiscal Years 1994–1998

[Millions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994–98
I. Revenue-Raising Provisions							
A. Individual Income and Estate and Gift Tax Provisions							
1. Increase tax rates paid by high-income individuals [1] .... [a.] Add fourth bracket at 36% rate for taxable income over $140,000 (joint), $127,500 (head of household), $115,000 (single). [b.] Impose a 10% surtax on regular income over $250,000 (not applicable to capital gains). [c.] Increase minimum tax rate to 26% for AMTI of less than $175,000 and 28% for AMTI over $175,000; increase AMTI exemption to $45,000 (joint) and $33,750 (single). [d.] Permanently extend itemized deduction limitation and personal exemption phaseout effective for 1996 and 1997, respectively.	1/1/93	15,407	22,804	25,714	24,584	26,263	114,772
2. Repeal Health Insurance (HI) wage base cap [2]	1/1/94	2,750	6,030	6,374	6,808	7,200	29,161

3. Reinstate top estate and gift tax rates at 53% and 55%	1/1/93	475	512	553	598	647	2,785
4. Reduce deductible portion of business meals and entertainment from 80% to 50%	1/1/94	1,823	3,124	3,287	3,448	3,605	15,287
5. Deny deduction for club dues (include hotel and airport clubs)	1/1/94	132	227	236	247	259	1,101
6. Deny deduction for executive pay over $1 million	1/1/94	42	55	57	76	105	335
7. Reduce compensation that can be taken into account for purposes of benefits and contributions under qualified retirement plans to $150,000 in 1994 (1993 cap is $235,840)	1/1/94	179	574	565	581	561	2,460
8. Limit deduction for moving expenses; treat reimbursed moving expenses as exclusion from gross income; treat unreimbursed moving expenses as deduction from gross income ..	1/1/94	171	478	505	543	600	2,298
9. Individual estimated tax simplification	1/1/94	−1,900	....	....	2,600	....	700
10. Impose 2-tier system to determine taxable portion of Social Security and Railroad Retirement Tier 1 benefits	1/1/94	1,930	4,597	5,305	6,029	6,731	24,592
B. Provisions Affecting Businesses							
1. Increase corporate tax rate to 35% for taxable income above $10 million (phaseout benefit of 34% rate beginning at $15 million)[3]	1/1/93	4,404	2,808	2,943	3,080	3,186	16,421

APPENDIX A: Estimated Budget Effects of the Revenue Provisions of H.R. 2264 (The Omnibus Budget Reconciliation Act of 1993) as Passed by the Congress, Fiscal Years 1994–1998—Continued

[Millions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994–98
2. Deny deduction for certain lobbying expenses	e/a 12/31/93	79	134	141	147	152	653
3. Require mark-to-market accounting method for dealers in securities (transition rule for LIFO inventory)	tyeo/a 12/31/93	822	795	804	816	558	3,796
4. Prohibit double-dip related to FSLIC assistance [4]	3/4/91	278	78	31	266	363	1,016
5. Extend and modify corporate estimated tax rules	tyba 12/31/93	2,116	428	59	4,279	929	7,810
6. a. Repeal stock-for-debt exception to section 108	sta 1/1/95	....	18	56	99	143	315
b. Add passive activity losses and credits to list of tax attributes reduced by cancellation of indebtedness	1/1/94	8	34	73	112	152	378
c. Add AMT credits to list of tax attributes reduced by cancellation of indebtedness	1/1/94	25	56	80	101	121	383
7. Limit section 936 credit	tyba 12/31/93	436	909	879	793	735	3,751
8. Modify earnings stripping, portfolio interest, and conduit rules	(5)	63	78	83	88	93	405
C. Foreign Tax Provisions							
1. Repeal deferral for excessive accumulated foreign earnings	tyba 9/30/93	20	44	56	61	69	251

2. Allocate 50% of R&E expenses to place of performance for one year	(6)	−225	−225	....	....	....	−450
3. Revise foreign tax credit for oil and gas and shipping income	tyba 12/31/92	622	440	461	486	510	2,520
4. Transfer pricing compliance initiative (enhanced penalty provision)	tyba 12/31/93	73	73	73	73	73	366
5. Treatment of exports of unprocessed softwood timber	ta DoE	56	77	81	87	92	393
D. Energy/Transportation Tax Provisions							
1. Transportation motor fuels tax and diesel fuel compliance:							
a. Motor fuels tax increase of 4.3 cents/gallon [7]	10/1/93	4,795	4,893	4,845	4,844	4,891	24,268
b. Exempt commercial aviation fuels through 9/30/95	10/1/93	−395	−418	−13	....	....	−825
c. Diesel fuel compliance	1/1/94	249	188	193	198	204	1,031
2. Extend current 2.5 cents per gallon motor fuels tax; railroads taxed at 1.25 cents per gallon (10/1/95 to 9/30/99) [8]	10/1/95	....	....	2,565	2,639	2,620	7,824
E. Compliance Provisions							
1. Modified substantial understatement penalty	1/1/94	84	104	101	94	85	469
2. Information reporting for discharge of indebtedness for FDIC, RTC, and financial institutions	[9] DoE	110	115	102	82	75	484
F. Intangibles							
1. Amortization of acquired intangible assets (15 years; 9 years for PMSRs[20])	[10] DoE	52	318	504	696	881	2,450

APPENDIX A: Estimated Budget Effects of the Revenue Provisions of H.R. 2264 (The Omnibus Budget Reconciliation Act of 1993) as Passed by the Congress, Fiscal Years 1994–1998—Continued

[Millions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994–98
G. Miscellaneous Revenue-Raising Provisions							
1. Substantiation and disclosure of charitable contributions [11] ..	1/1/94	15	103	109	118	124	469
2. Expand 45-day interest rule for certain refunds (outlays) [2] .	1/1/94	....	....	....	....	....	....
3. Deny business travel deductions for spouse and dependents on non-business travel	1/1/94	2	20	21	23	24	90
4. Increase withholding rate on bonuses to 28%	1/1/94	188	9	10	10	11	228
Subtotal: Revenue-Raising Provisions		**34,886**	**49,480**	**56,853**	**64,706**	**62,062**	**267,987**
II. Investment and Training Provisions							
A. Education and Training Provisions							
1. Extend employer-provider educational assistance through 12/31/94 [12]	7/1/92	−601	−312	....	....	....	−913
2. Extend targeted jobs tax credit through 12/31/94	7/1/92	−273	−212	−115	−45	−16	−661
B. Investment Incentives							
1. Extend research and experimentation credit through 6/30/95	7/1/92	−2,169	−1,209	−784	−436	−253	−4,851

2. Targeted capital gains incentives for investment in small businesses (with $50 million gross asset limit applied on a group basis)	DoE	−13	−98	−163	−218	−260	−752
3. Elimination of ACE depreciation adjustment	ppisa 12/31/93	−344	−986	−1,112	−1,026	−880	−4,348
4. Increase section 179 expensing to $17,500	tyba 12/31/92	−2,281	−969	−692	−434	−211	−4,587
5. Exempt high-speed rail bonds from private activity bond caps (with government-ownership requirement)	1/1/94	−2	−8	−22	−43	−58	−134
6. Extend qualified small-issue manufacturing bonds (IDBs) permanently, with waiver of one-year placed-in-service rule for certain projects	7/1/92	−18	−38	−54	−71	−84	−266
7. Extend orphan drug tax credit through 12/31/94	7/1/92	−14	−4	....	....	....	−18
C. Expansion and Simplification of Earned Income Tax Credit (EITC) [13]	1/1/94	−22	−155	−378	−547	−592	−1,694
D. Real Estate Investment Provisions							
1. Extend mortgage revenue bonds (MRBs) and mortgage credit certificates (MCCs) permanently, with contracts for deed, high-cost housing areas, and two-family housing exceptions	7/1/92	−73	−145	−210	−270	−322	−1,019
2. Extend low-income housing credit permanently	7/1/92	−373	−597	−938	−1,296	−1,660	−4,864

APPENDIX A: Estimated Budget Effects of the Revenue Provisions of H.R. 2264 (The Omnibus Budget Reconciliation Act of 1993) as Passed by the Congress, Fiscal Years 1994–1998—Continued

[Millions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994–98
3. Provide passive loss relief for real estate professionals	1/1/94	−294	−536	−503	−563	−658	−2,554
4. Facilitate pension investments in real estate	1/1/94	−46	−60	−63	−68	−73	−310
5. Treatment of certain real property business indebtedness of individuals	1/1/93	−138	−110	−60	−30	−28	−366
6. Increase recovery period for non-residential real property to 39 years	ppiso/a 5/13/93	104	314	617	995	1,354	3,384
E. Luxury Excise Tax; Diesel Fuel Tax for Motorboats							
1. a. Repeal luxury excise tax on boats, aircraft, jewelry, and furs	1/1/93	−69	−46	−49	−52	−55	−270
b. Index luxury excise tax on automobiles for inflation [14]	DoE	−58	−108	−151	−219	−267	−804
2. Impose 20.1-cent-per-gallon excise tax on diesel fuel used in noncommercial motorboats [15]	1/1/94	21	30	31	32	34	148
F. Other Provisions							
1. Extend AMT treatment of gifts of appreciated property to charities permanently	([16])	−100	−77	−78	−80	−82	−417

2. Extend 25% deduction for self-employed health insurance for individuals through 12/31/93	7/1/92	−566	....	....	....	....	−566
G. Empowerment Zones and Enterprise Communities [17]	1/1/94	−276	−459	−539	−583	−635	−2,492
1. Provide tax incentives for businesses on Indian reservations	1/1/94	(18)	(18)	(18)	(18)	(18)	(18)
Subtotal: Investment and Training Provisions		**−7,605**	**−5,785**	**−5,263**	**−4,954**	**−4,746**	**−28,354**
III. Other Revenue Provisions							
A. Disclosure Provisions							
1. Extend tax information access for Department of Veterans Affairs (through 9/30/98)	DoE	....	....	....	....	....	....
2. Access to tax information by the Department of Education (through 9/30/98)	DoE	....	....	....	....	....	....
3. Access to tax information by the Department of Housing and Development (through 9/30/98)	DoE	....	....	....	....	....	....
B. Increase in Public Debt Limit	DoE	....	....	....	....	....	....
C. Vaccine Provisions							
1. Permanent extension of vaccine excise tax	DoE	142	137	137	135	134	684
2. Excise tax for non-continuation of coverage under group health plans of cost of pediatric vaccines	pyba DoE	(19)	(19)	(19)	(19)	(19)	(19)
D. Other Provisions							
1. Extend Trade Generalized System of Preferences (GSP) [2]		−791	....	....	....	....	−791

APPENDIX A: Estimated Budget Effects of the Revenue Provisions of H.R. 2264 (The Omnibus Budget Reconciliation Act of 1993) as Passed by the Congress, Fiscal Years 1994–1998—Continued

[Millions of Dollars]

Provision	Effective	1994	1995	1996	1997	1998	1994–98
2. Customs overtime reform [2]		3	4	4	4	4	19
3. Extension of Federal unemployment insurance tax (FUTA) (2 years) [2]	1/1/97	....	....	....	881	1,208	2,089
4. Involuntary conversion for principal residence in Presidentially declared disaster areas	9/1/91	(19)	(19)	(19)	(19)	(19)	(19)
5. Tax credit to certain employers for FICA paid on employee tips	1/1/94	−118	−203	−213	−224	−235	−994
6. Deny deduction for certain noncomplying health plans	2/3/93–5/12/95	−116	−105	....	....	....	−221
Subtotal: Other Revenue Provisions		**−880**	**−167**	**−72**	**796**	**1,111**	**786**
NET TOTAL		**26,401**	**43,528**	**51,518**	**60,548**	**58,427**	**240,419**

Footnotes to Appendix A:

[1] Taxpayer may elect to pay tax attributable to rate increase for 1993 in 3 equal installments, payable on the due date of returns for taxable years 1993, 1994, and 1995. No penalties for underwithholding or estimated tax in 1995; installment amounts would not be subject to underpayment penalties or interest charges. Indexing of 36% rate and surtax brackets effective 1/1/95. Estimate includes certain provisions to prevent conversion of ordinary income to capital gains.

[2] Estimate for this provision provided by the Congressional Budget Office (CBO).

[3] Effective 1/1/93, but no penalties for underwithholding or estimated tax in 1993 with blended rates for fiscal year taxpayers.

[4] Estimate does not include an increase in outlays of $136 million in 1994, a decrease of $14 million in 1995, an increase of $29 million in 1996, an increase of $95 million in 1997, and an increase of $109 million in 1998. According to CBO, Budget Act requirements may prohibit counting this provision for pay-as-you-go purposes.

[5] With some exceptions, provision is generally effective for tyba 12/31/93.

[6] Effective at expiration of Rev. Proc. 92–56, which is generally the third taxable year beginning after 8/1/91. In July 1992, the Treasury Department suspended applicable regulation for 18 months.

[7] All revenues from 4.3-cent-per-gallon tax on motor fuels will go to the General Fund.

[8] Revenues from the 1.25-cent-per-gallon tax on railroad diesel will go to the General Fund; motorboat and off-highway recreational vehicle fuel revenues will be retained in the General Fund. All revenues from highway motor fuels tax will go to the Highway Trust Fund (2 cents per gallon of the tax revenues will go to the Highway Account and 0.5-cent per gallon will go to the Mass Transit Account.)

[9] Effective date of 1/1/94 for non-governmental entities.

[10] Taxpayer may elect to apply to intangibles acquired after 7/25/91. Estimate also includes a provision affecting payments to partners retiring or dying on or after 1/5/93.

[11] Substantiation requirement for charitable contributions of $250 or more; disclosure related to quid pro quo contributions ($75 exemption).

[12] FICA portion of estimate (off budget): $160 million for 1994 and $61 million for 1995; HI portion (on budget): $36 million for 1994 and $14 million for 1995.

[13] EITC outlays would be $209 million in 1994, $2,000 million in 1995, $4,397 million in 1996, $6,122 million in 1997, and $6,378 million in 1998.

[14] Estimate includes the effects of (i) exempting demonstrator cars from the luxury tax, effective 1/1/93, and (ii) exempting equipment installed on vehicles for use by disabled individuals, effective 1/1/91.

[15] Includes revenues from extension of the 2.5-cent-per-gallon diesel motor fuels tax (10/1/95 to 9/30/99). 20.1-cent-per-gallon tax on motorboat diesel would expire after 12/31/99. All revenues will be deposited into the General Fund. (Motorboat diesel fuel is also subject to the 4.3-cents-per gallon General Fund transportation fuels tax beginning January 1, 1994.)

[16] Effective for contributions of tangible personal property made after 6/30/92, and for contributions of all property made after 1992.

[17] Estimate includes specialized small business investment company (SSBIC) provisions.

[18] Revenue included in item G.

[19] Negligible revenue effect.

[20] Purchased mortgage servicing rights.

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

Legend for "Effective" column: DoE = date of enactment, e/a = expenses after, fya = fiscal years after, ppisa = property placed in service after, ppiso/a = property placed in service on or after, pyba = plan years beginning after, sta = stock transferred after, ta = transactions after, tyba = taxable years beginning after, tyeo/a = taxable years ending on or after.

Source: Joint Committee on Taxation.

APPENDIX B: Distributional Effects of the Revenue Provisions Contained in the Omnibus Budget Reconciliation Act of 1993 as Passed by the Congress

[1993 Income Levels]

Expanded Income Class [1]	Present-Law Federal Taxes (Billions) [2]	Present-Law Average Tax Rate (Percent) [3]	Proposed Change in Tax Burden (Millions) [4]	Burden Change as a Share of Income (Percent)
Less than $10,000	$9	10.4	−$1,152	−1.28
$10,000 to $20,000	39	11.9	−993	−0.30
$20,000 to $30,000	72	17.0	94	0.02
$30,000 to $40,000	86	19.1	949	0.21
$40,000 to $50,000	93	20.9	1,271	0.29
$50,000 to $75,000	201	22.3	3,517	0.39
$75,000 to $100,000	120	24.6	2,653	0.54
$100,000 to $200,000	142	26.6	4,598	0.86
$200,000 and over	168	30.2	29,863	5.39
Total, All Taxpayers	**$930**	**22.1**	**$40,800**	**0.97**

[1] The income concept used to place tax returns into income categories is adjusted gross income (AGI) plus: [1] tax-exempt interest, [2] employer contributions for health plans and life insurance, [3] employer share of FICA tax, [4] workers' compensation, [5] nontaxable Social Security benefits, [6] insurance value of Medicare benefits, [7] corporate income tax liability attributed to stockholders, [8] alternative minimum tax preference items, and [9] excluded income of U.S. citizens living abroad.

[2] Includes individual income tax, FICA and SECA tax, excise taxes, estate and gift taxes, and corporate income tax.

[3] Present-law Federal taxes as a share of expanded income.

[4] Includes all revenue provisions except: Individual and corporate estimated tax changes, information reporting for discharge of indebtedness, targeted jobs credit, capital gains incentives, provisions affecting qualified pension plans, mortgage revenue bonds, low-income housing credit, luxury tax provisions, excise tax on diesel fuel used in noncommercial motorboats, empowerment zones and enterprise communities, vaccine excise tax, GSP and FUTA extensions, transfer of Federal Reserve funds, deduction disallowance for certain health plans, orphan drug credit, and diesel fuel compliance.

Source: Joint Committee on Taxation, August 3, 1993.

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