

**COMPARISON OF REVENUE PROVISIONS IN H.R. 434
AS PASSED BY THE HOUSE AND THE SENATE**

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of the

JOINT COMMITTEE ON TAXATION



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INTRODUCTION AND LEGISLATIVE BACKGROUND

This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a comparison of the revenue provisions contained in H.R. 434, the “African Growth and Opportunity Act,” as passed by the House and as amended by the Senate.

H.R. 434 was passed by the House on July 16, 1999. The bill, as amended by the Senate, was passed by the Senate on November 3, 1999.²

¹ This document may be cited as follows: Joint Committee on Taxation, *Comparison of Revenue Provisions in H.R. 434, as passed by the House and the Senate* (JCX-16-00), March 1, 2000.

² For legislative history to the Senate amendment, *see* S. Rep. 106-119 (Senate Committee on Finance), S. Rep. 106-137 (Senate Committee on Finance), and S. Rep. 106-160 (Senate Committee on Finance).

ITEM	HOUSE BILL	SENATE AMENDMENT
A. Limitation on Use of Nonaccrual Experience Method of Accounting (sec. 21 of the House bill and sec. 504 of the Senate amendment)	<ul style="list-style-type: none"> • Limits use of the nonaccrual method to receivables from the provision of qualified personal services. • The effect of change in method to be taken into account over a period of up to 4 years. • Effective for taxable years ending after the date of enactment. • Provision included in H.R. 2488 as passed by the Congress and vetoed by the President. • Provision included in H.R. 2990 as passed by the Senate.³ 	Same as the House bill.
B. Inclusion of Certain Vaccines Against Streptococcus Pneumonia in List of Taxable Vaccines (sec. 22 of the House bill)	Provision included in the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170 (December 17, 1999).	No provision.

³ H.R. 2990 was passed by the House on October 6, 1999. H.R. 2990 as passed by the House has two divisions. Division A is the “Quality Care for the Uninsured Act of 1999,” and Division B is the “Bipartisan Consumers Managed Care Improvement Act of 1999.” The bill, as amended by the provisions of S. 1344 as amended by the Senate (the “Patients Bill of Rights Plus Act”), was passed by the Senate on October 14, 1999.

ITEM	HOUSE BILL	SENATE AMENDMENT
C. Modification of Installment Method and Repeal of Installment Method for Accrual Method Taxpayers (sec. 501 of the Senate amendment)	No provision.	Provision included in the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170 (December 17, 1999).
D. Limitations on Prefunding Certain Employee Benefits (sec. 502 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> • Limits the present-law exception for 10-or-more employer plans to otherwise applicable deduction limit to plans that provide only medical, disability and qualifying group-term life insurance benefits. • An excise tax is imposed on the employer if any portion of a welfare benefit fund attributable to contributions that are deductible under the 10-or-more employer rule is for a purpose other than which the contributions were made. • Effective with respect to contributions paid or accrued after June 9, 1999, in taxable years ending after such date. • Same provision included in H.R. 2488, as passed by the Congress and vetoed by the President (except for the effective date). Same provision included in the Senate amendment to H.R. 2990.

ITEM	HOUSE BILL	SENATE AMENDMENT
E. Treatment of Gain from Constructive Ownership Transactions (sec. 503 of the Senate amendment)	No provision.	Provision included in the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170 (December 17, 1999).
F. Allocation of Basis on Transfers of Intangibles in Certain Nonrecognition Transactions (sec. 505 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> • Provides that an interest in intangible property constituting less than all the substantial rights of the transferor qualifies as property for purposes of nonrecognition treatment under the provisions allowing tax-free transfers of property to a corporation or a partnership. Basis allocation is required. • Applicable to transfers on or after the date of enactment.
G. Increase in Elective Withholding Rate for Nonperiodic Distributions from Deferred Compensation Plans (sec. 506 of the Senate amendment)	No provision.	Increases the elective withholding rate on nonperiodic distributions from deferred compensation plans from 10 percent to 15 percent, effective for distributions after December 31, 2000.

ITEM	HOUSE BILL	SENATE AMENDMENT
H. Provisions Relating to Real Estate Investment Trusts (“REITs”) (secs. 610-622 of the Senate amendment)	No provision.	Provisions included in the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170 (December 17, 1999), except for the provision relating to controlled entities ineligible for REIT status.
I. Modify Individual Estimated Tax Safe Harbor (sec. 623 of the Senate amendment)	No provision.	<ul style="list-style-type: none"> • Modifies the prior-year's estimated tax safe harbor for taxpayers with AGI above \$150,000 so that it is 106.5% for 2000 and 106 percent for 2001. • Pursuant to the Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170 (December 17, 1999), the present-law safe harbor is 108.6% for 2000 and 110% for 2001.

ITEM	HOUSE BILL	SENATE AMENDMENT
<p>J. Provide Waiver from Denial of Foreign Tax Credits (sec. 724 of the Senate amendment)</p>	<p>No provision.</p>	<p>Provides that section 901(j) (relating to the denial of foreign tax credits to certain countries such as those the United States does not recognize or with respect to which the United States has severed diplomatic relations) no longer applies with respect to a foreign country if the President determines that such a waiver is in the national interest and will expand trade and investment opportunities for U.S. companies in that country and certain reporting requirements are satisfied. Effective on or after February 1, 2001.</p>