

**ESTIMATED REVENUE EFFECTS OF THE "SMALL BUSINESS AND FARM ECONOMIC RECOVERY ACT OF 2002,"
SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON SEPTEMBER 19, 2002**

Fiscal Years 2003 - 2012

[Millions of Dollars]

Provision	Effective	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-07	2003-12
Provisions to Promote Small Business Investment													
1. Increase the section 179(b) dollar limitation from \$25,000 to \$30,000 in 2003 and thereafter; index dollar limitation and phaseout threshold after 2006	tyba 12/31/02	-240	-433	-485	-530	-544	-649	-659	-688	-825	-949	-2,233	-6,003
2. Reduce recovery period for depreciation of certain leasehold improvements to 25 years	lipisa 9/11/04	---	-4	-29	-82	-148	-216	-284	-351	-419	-493	-264	-2,027
3. Modify section 514(c)(6) to exclude from the definition of acquisition indebtedness the indebtedness of a small business investment company that is evidenced by a debenture issued by the SBIC or held or guaranteed by the SBA	[1]	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-11
Total of Provisions to Promote Small Business Investment		-241	-438	-515	-613	-693	-866	-944	-1,040	-1,245	-1,443	-2,502	-8,041
Provisions to Simplify Small Business Taxation													
1. Disclosure of tax information to facilitate combined employment tax reporting ("STAWRS")	after 12/31/02	----- No Revenue Effect -----											
2. 80% deduction of business meals while operating under Department of Transportation hours of service limitations	tyba 12/31/02	-32	-54	-46	-36	-25	-13	---	---	---	---	-193	-206
Total of Provisions to Simplify Small Business Taxation		-32	-54	-46	-36	-25	-13	---	---	---	---	-193	-206
Provisions Relating to Tax Relief for Farmers, Ranchers, and Fishermen													
1. Farm, Fish and Ranch Risk Management accounts	tyba 12/31/02	-1	-26	-52	-78	-154	-222	-222	-189	-150	-95	-311	-1,188
2. Exclusion of certain farm rental income from net earnings from self-employment	tyba 12/31/02	[2]	-3	-3	-3	-3	-3	-3	-4	-4	-4	-12	-30
3. Exclusion of conservation reserve program payments from net earnings from self-employment	pma 12/31/02	[2]	-72	-77	-80	-82	-81	-97	-104	-108	-112	-310	-814
4. Exemption of agricultural bonds from State volume cap	bia 12/31/02	[2]	[2]	-1	-2	-2	-3	-3	-4	-5	-5	-5	-25
5. Extend income averaging to fishermen and provide that income averaging for farmers and fishermen will not increase AMT liability	tyba 12/31/02	[2]	-2	-3	-3	-4	-5	-6	-7	-8	-8	-13	-46
6. Modify cooperative marketing to include value-added processing involving animals	tyba 12/31/02	-1	-1	-2	-3	-4	-5	-6	-8	-10	-13	-11	-53
7. Extend declaratory judgment relief to farm cooperatives	pfa 1/1/02	----- Revenue Effects Included in Line Above -----											

Provision	Effective	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-07	2003-12
8. Payment of dividends on stock of cooperatives without reducing patronage dividends	di tyba 12/31/02	[2]	[2]	-1	-1	-1	-1	-2	-2	-3	-3	-3	-14
9. Special rules for livestock sold on account of weather-related conditions	tyea DOE	---	---	-18	-7	-4	-3	-3	-3	4	6	-29	-29
10. Modify farmer optional method for computing net earnings from self-employment	tyea 12/31/02	3	8	8	9	9	10	10	11	12	12	37	91
11. Permit capital gain treatment for outright sales of timber by landowner	sa 12/31/02	----- Negligible Revenue Effect -----											
12. Expensing of first \$15,000 of reforestation expenditures	ea 12/31/02	-49	-68	-57	-45	-33	-21	-8	1	4	4	-252	-272
Total of Provisions Relating to Tax Relief for Farmers, Ranchers, and Fishermen		-48	-164	-206	-213	-278	-334	-340	-309	-268	-218	-909	-2,380
Provisions Relating to S Corporation Reform and Simplification													
1. Maximum number of shareholders of an S corporation:													
a. Treat members of family as one shareholder	tyba 12/31/03 & eatma 12/31/03	---	-3	-6	-7	-8	-8	-9	-9	-9	-9	-24	-68
b. Increase in number of eligible shareholders to 100	tyba 12/31/02	-17	-41	-53	-63	-70	-75	-77	-79	-79	-80	-244	-634
2. Termination of election and additions to tax due to passive investment income	tyba 12/31/02	-27	-56	-58	-60	-63	-65	-68	-71	-73	-76	-264	-617
3. Treatment of S corporation shareholders:													
a. Disregard of unexercised powers of appointment in determining potential current beneficiaries of ESBT	tyba 12/31/02	----- Negligible Revenue Effect -----											
b. Clarification of electing small business trust distribution rules	tyba 12/31/02	----- Negligible Revenue Effect -----											
c. Transfer of suspended losses incident to divorce	tyba 12/31/02	-1	-2	-2	-2	-2	-2	-3	-3	-3	-3	-9	-23
d. Use of passive activity loss and at-risk amounts by qualified subchapter S trust income beneficiaries	tyba 12/31/02	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-8
4. Provisions relating to banks:													
a. Treatment of qualifying director shares	tyba 12/31/02	-4	-10	-12	-14	-15	-15	-16	-16	-16	-16	-55	-135
b. Exempt from prohibited transaction rules the sale of stock in an IRA relating to S corporation election of a bank	twcira DOE	-22	-18	-18	-19	-20	-21	-22	-23	-24	-25	-98	-213
c. Exclusion of investment securities income from passive income test for bank S corporations	tyba 12/31/02	----- Negligible Revenue Effect -----											
5. Qualified subchapter S subsidiaries:													
a. Relief from inadvertently invalid qualified subchapter S subsidiary elections and terminations	tyba 12/31/02	-1	-1	-1	-1	-1	-1	-1	-2	-2	-2	-7	-14
b. Information returns for qualified subchapter S subsidiaries	tyba 12/31/02	----- No Revenue Effect -----											
6. Interaction effects	---	-4	-10	-9	-7	-9	-9	-10	-10	-11	-11	-39	-89
Total of Provisions Relating to S Corporation Reform and Simplification		-77	-142	-160	-174	-189	-197	-207	-214	-218	-223	-744	-1,801

Provision	Effective	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-07	2003-12
Provisions to Promote Economic Development and Rural Investment													
1. Accelerated depreciation for investment property in high out-migration counties [3]	ppisa 12/31/02 & ppisnlt 12/31/04	-167	-438	-364	-72	51	61	52	36	18	10	-990	-813
2. Allow rural letter carriers an election to deduct the amount of their allowable vehicle expenses exceeding their qualified reimbursement	tyba 12/31/02	-2	-3	-3	-3	-3	-3	-3	-3	-4	-4	-15	-31
3. Broadband Internet access tax credit	qeia 12/31/02 & qeib 1/1/05	-279	-559	-205	21	18	17	16	16	15	15	-1,004	-925
4. Broadband access - modification to the low-income housing allocation criteria	bia 12/31/02	----- No Revenue Effect -----											
5. Modify qualified zone academy bond provisions to provide similar bonds for the construction of schools for the Bureau of Indian Affairs of the Department of the Interior	bia 12/31/02	[2]	-1	-4	-7	-8	-8	-8	-8	-8	-8	-20	-61
6. Qualified small business stock - expand section 1202 exclusion to all critical technology companies; increase exclusion to 60% for critical technology companies with an active business within a high out-migration county	saa 12/31/02	[2]	-1	-2	-3	-4	-9	-31	-54	-78	-103	-10	-285
7. Modifications to the WWTC and WOTC:													
a. Increase the WOTC eligibility age for food stamp recipients from 25 to 30 [4]	wpoifibwa 12/31/02	-8	-12	-5	-2	-1	-1	[2]	---	---	---	-29	-30
b. Modify the definition of a vocational rehabilitation referral [4]	wpoifibwa 12/31/02	-1	-1	[2]	[2]	[2]	[2]	---	---	---	---	-2	-2
8. Treatment of new markets venture capital companies for the New Markets Tax Credit	1/1/03	----- No Revenue Effect -----											
Total of Provisions to Promote Economic Development and Rural Investment		-457	-1,015	-583	-66	53	57	26	-13	-57	-90	-2,070	-2,147
Provisions to Simplify Excise Taxes													
1. Simplification of excise tax imposed on bows and arrows [5]	asa 12/31/02	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-8
2. Custom gunsmiths [5]	asa 12/31/02	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-4	-9
3. Repeal special occupational taxes on producers and marketers of alcoholic beverages	tda 6/30/03	-66	-78	-78	-78	-78	-78	-78	-78	-78	-78	-378	-768
4. Treat tribal governments the same as State governments for purposes of the Federal wagering excise and occupational taxes in Chapter 35 of the Internal Revenue Code	tio/a 7/1/03	-1	-1	-2	-2	-2	-2	-2	-2	-2	-2	-7	-16
Total of Provisions to Simplify Excise Taxes		-69	-81	-82	-82	-82	-82	-82	-82	-82	-82	-393	-801
Rate Reduction for Asbestos-Related Settlement Funds (15% rate)													
	tyea 12/31/02	-27	-73	-75	-77	-79	-80	-80	-79	-77	-75	-331	-722

Provision	Effective	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-07	2003-12
Provisions to Discourage Corporate Expatriation													
1. Tax treatment of inversion transactions	[6]	96	97	117	140	168	202	242	290	348	418	618	2,118
2. Reinsurance agreements	rra 4/11/02	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	2	5
3. Excise tax on stock compensation of insiders in inverted corporations	generally 7/11/02	25	10	10	10	10	10	10	10	10	10	65	115
Total of Provisions to Discourage Corporate Expatriation		121	107	127	150	178	212	252	300	358	428	685	2,238
Provisions to Curtail Tax Shelters													
1. Clarification of the "economic substance" doctrine with two special rules relating to: (1) the profit test, and (2) transactions with tax indifferent parties; and impose penalties for understatements attributable to transactions lacking economic substance; a special rule would apply to waiver or abatement of such penalties	ta DOE	711	1,119	1,314	1,220	1,088	1,115	1,218	1,341	1,507	1,699	5,453	12,333
2. Provisions relating to reportable transactions and tax shelters; impose penalties on nondisclosure of reportable transactions and understatements attributable to reportable transactions; a special rule would apply to waiver or abatement of such penalties [8]	various dates after DOE	66	103	128	132	131	135	140	148	157	170	560	1,309
3. Modification to the substantial understatement penalty [8]	tyba DOE	---	---	8	11	19	23	26	30	34	38	38	188
4. Actions to enjoin conduct with respect to tax shelters	da DOE	----- <i>Negligible Revenue Effect</i> -----											
5. Understatement of taxpayer's liability by income tax return preparer	dpa DOE	----- <i>Negligible Revenue Effect</i> -----											
6. Impose a civil penalty (of up to \$5,000) on failure to report interest in foreign financial accounts	DOE	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	1	3
7. Frivolous tax submissions	[9]	3	3	3	3	3	3	3	3	3	3	15	30
8. Regulation of individuals practicing before the Department of Treasury	ata DOE	----- <i>No Revenue Effect</i> -----											
9. Amend section 6501 to provide for 6-year statute of limitations for undisclosed listed transactions	teii tyba DOE	---	---	---	1	1	1	1	1	1	1	2	7
10. Amend section 163 to disallow a deduction for deficiency interest paid to the IRS on underpayments involving tax motivated transactions.....	uat teii tyba DOE	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	[7]	3	8
11. Modify section 162(f) for certain fines and penalties	apoa DOE	5	10	10	10	10	10	10	10	10	10	46	97
12. Authorize additional \$300 million per year to the IRS to combat abusive tax avoidance transactions [10]	DOE	----- <i>No Revenue Effect</i> -----											
Total of Provisions to Curtail Tax Shelters		785	1,235	1,463	1,377	1,252	1,287	1,398	1,533	1,712	1,921	6,118	13,975
Other Provision - affirmation of consolidated return regulation authority	dota DOE	----- <i>Negligible Revenue Effect</i> -----											

Provision	Effective	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2003-07	2003-12
Provisions Relating to Fair Taxation of Executive Compensation													
1. Taxation of deferred compensation provided through offshore trusts	ada 12/31/02	44	61	54	28	9	5	4	4	21	25	196	254
2. Repeal of limitation on issuance of Treasury guidance regarding nonqualified deferred compensation	tyba DOE	----- <i>Negligible Revenue Effect</i> -----											
3. Required wage withholding at top marginal rate for supplemental wage payments in excess of \$1 million	wpma 12/31/02	115	19	11	11	9	[11]	8	9	10	9	165	201
Total of Provisions Relating to Fair Taxation of Executive Compensation		159	80	65	39	18	5	12	13	31	34	361	455
NET TOTAL		114	-545	-12	305	155	-11	35	109	154	252	22	570

Joint Committee on Taxation

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

Legend for "Effective" column:

ada = amounts deferred after
 apoia = amounts paid or incurred after
 asa = articles sold after
 ata = actions taken after
 bia = bonds issued after
 da = day after
 di = distributions in
 DOE = date of enactment
 dota = distributions or transfers after
 dpa = documents prepared after
 ea = expenditures after
 eatma = elections and terminations made after

lipisa = leasehold improvements placed in service after
 pfa = pleadings filed after
 pma = payments made after
 ppisa = property placed in service after
 ppisnl = property placed in service no later than
 qeia = qualified expenditures incurred after
 qeib = qualified expenditures incurred before
 rra = risk reinsured after
 sa = sales after
 saa = stock acquired after
 ta = transactions after
 tda = taxes due after

teii = transactions entered into in
 tio/a = taxes imposed on or after
 twcira = trusts which constitute individual retirement accounts
 tyba = taxable years beginning after
 tyea = taxable years ending after
 tyea = taxable years ending after
 uat = underpayments attributable to
 wpma = wage payments made after
 wpoifbwa = wages paid or incurred for individuals beginning work after

- [1] Effective for debt incurred by a small business investment company after December 31, 2002, with respect to property acquired after such date.
- [2] Loss of less than \$500,000.
- [3] High out-migration rural counties are defined as having lost population during both the period January 1, 1990, through December 31, 1994, and the period January 1, 1995, through December 31, 1999.
- [4] Proposal expires, like present-law WOTC, and WWTC, on December 31, 2003.
- [5] This provision would have partially offsetting outlay effects as outlays from the Federal Aid to Wildlife Fund are tied to tax receipts.
- [6] Effective for certain transactions completed after March 20, 2002, and would also affect certain taxpayers who completed transactions before March 21, 2002, and certain insurance risks reinsured after April 11, 2002.
- [7] Gain of less than \$1 million.
- [8] Failure or substantial delay of forthcoming regulations for section 6011 of the Internal Revenue Code and other administrative actions to be taken by the Treasury Department or the Internal Revenue Service would reduce the estimated revenue effects of these provisions.
- [9] Effective for submissions made and issues raised after the first list is prescribed under section 6702(c).
- [10] Preliminary estimate provided by the Congressional Budget Office.
- [11] Gain of less than \$500,000.