

**COMPARISON OF REVENUE PROVISIONS OF H.R. 4348
AS PASSED BY THE HOUSE OF REPRESENTATIVES
(THE “SURFACE TRANSPORTATION EXTENSION ACT OF 2012, PART II”)
AND AS AMENDED BY THE SENATE
(THE “MOVING AHEAD FOR PROGRESS IN THE 21ST CENTURY ACT” (MAP-21))**

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INTRODUCTION

On April 23, 2012, the House of Representatives passed H.R. 4348. On April 24, 2012, the Senate passed H.R. 4348 with amendments.

This document,¹ prepared by the staff of the Joint Committee on Taxation, presents a side-by-side comparison of the revenue provisions of H.R. 4348 as passed by the House and H.R. 4348 as amended by the Senate.

¹ This document may be cited as follows: Joint Committee on Taxation, *Comparison of Revenue Provisions of H.R. 4348 as Passed by the House of Representatives (The “Surface Transportation Extension Act of 2012, Part II”) and as Amended by the Senate (The “Moving Ahead for Progress in the 21st Century Act” (MAP-21))* (JCX-42-12), May 25, 2012. This document can also be found on our website at www.jct.gov.

Provision	Present Law	House Bill	Senate Amendment
<p>A. Extension of Highway Trust Fund Expenditure Authority and Related Taxes</p> <p>1. Extension of trust fund expenditure authority (sec. 142 of the House bill, sec. 40101 of the Senate amendment, and secs. 9503, 9504, and 9508 of the Code)</p>	<p>Pursuant to the Surface Transportation Extension Act of 2012, expenditures from the Highway Trust Fund are authorized through June 30, 2012. The expenditure purposes for both the Highway Trust Fund and the Sport Fish Restoration and Boating Trust Fund are limited to those as in effect on the date of enactment of the Surface Transportation Extension Act of 2012.</p>	<p>Present-law expenditure authority is extended for an additional three months, through September 30, 2012.</p> <p><u>Effective date.</u>—July 1, 2012</p>	<p>The expenditure authority for the Highway Trust Fund is extended through September 30, 2013. The Code provisions governing the purposes for which monies in the Highway Trust Fund may be spent are updated to include the reauthorization bill, Moving Ahead for Progress for the 21st Century (MAP-21). The provision also updates cross-references in the Code to include MAP-21. Establishes a Solvency Account within the Highway Trust Fund.</p> <p><u>Effective date.</u>—April 1, 2012</p>

Provision	Present Law	House Bill	Senate Amendment
<p>2. Extension of highway related taxes (sec. 141 of the House bill, sec. 40102 of the Senate amendment and secs. 4041, 4051, 4071, 4081, 4221, 4481, 4483, and 6412 of the Code)</p>	<p>Six separate excise taxes are imposed to finance the Highway Trust Fund. Three of these taxes are imposed on highway motor fuels. The remaining three are a retail sales tax on heavy highway vehicles, a manufacturers' excise tax on heavy vehicle tires, and an annual use tax on heavy vehicles. The annual use tax on heavy vehicles expires July 1, 2013. Except for 4.3 cents per gallon of the Highway Trust Fund fuels tax rates, the remaining taxes are scheduled to expire after June 30, 2012. The 4.3-cents-per-gallon portion of the fuels tax rates is permanent. An additional 0.1 cent fuel tax is dedicated to the Leaking Underground Storage Tank Trust Fund. This tax also expires after June 30, 2012.</p>	<p>The provision extends for three additional months, through September 30, 2012, the Highway Trust Fund taxes that are scheduled to expire on June 30, 2012. The Leaking Underground Storage Tank Trust Fund financing rate of 0.1 cent per gallon also is extended through September 30, 2012.</p> <p><u>Effective date.</u>—July 1, 2012.</p>	<p>The provision extends all of the Highway Trust Fund taxes through September 30, 2015. The Leaking Underground Storage Tank Trust Fund financing rate of 0.1 cent per gallon also is extended through September 30, 2015.</p> <p><u>Effective date.</u>—April 1, 2012.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>B. Other Provisions</p> <p>1. Temporary increase in small issuer exception to tax-exempt interest expense allocation rules for financial institutions (sec. 40201 of the Senate amendment and sec. 265 of the Code)</p>	<p>In the case of a financial institution, the Code generally disallows that portion of the taxpayer’s interest expense that is allocable to tax-exempt obligations. The general rule does not apply to “qualified tax-exempt obligations.” Instead only 20 percent of the interest expense allocable to “qualified tax-exempt obligations” of qualified small issuers is disallowed. A “qualified small issuer” is an issuer that reasonably anticipates that the amount of tax-exempt obligations that it will issue during the calendar year will be \$10 million or less.</p> <p><u>Special rules:</u> With respect to tax-exempt obligations issued during 2009 and 2010, the special rules increased from \$10 million to \$30 million the annual limit for qualified small issuers. In addition, in the case of a “qualified financing issue” issued in 2009 or 2010, the special rules applied the \$30 million annual volume limitation at the borrower level (rather than at the level of the pooled financing issuer).</p>	<p>No provision.</p>	<p>The provision extends the special rules providing modifications to the qualified small issuer exception to bonds issued after June 30, 2012 and before July 1, 2013.</p> <p><u>Effective date.</u>—Bonds issued after June 30, 2012.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>2. Temporary modification of alternative minimum tax (“AMT”) limitations on tax-exempt bonds (sec. 40202 of the Senate amendment and secs. 56 and 57 of the Code)</p>	<p>AMT is the amount by which the tentative minimum tax exceeds the regular income tax. The tentative minimum tax is computed based upon a taxpayer’s alternative minimum taxable income (“AMTI”). AMTI is the taxpayer’s taxable income modified to take into account certain preferences and adjustments. One of the preference items is tax-exempt interest on certain tax-exempt bonds issued for private activities. Tax-exempt interest on private activity bonds issued in 2009 and 2010 is not an item of tax preference for purposes of the AMTI, and interest on tax exempt bonds issued in 2009 and 2010 is not included in the corporate adjustment based on current earnings.</p>	<p>No provision.</p>	<p>The provision provides that tax-exempt interest on private activity bonds issued after the date of enactment and before January 1, 2013, is not an item of tax preference for purposes of the AMT and interest on tax exempt bonds issued during this period is not included in the corporate adjustment based on current earnings.</p> <p><u>Effective date.</u>—Bonds issued after the date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>3. Issuance of TRIP bonds by State infrastructure banks (sec. 40203 of the Senate amendment)</p>	<p>There are no Code provisions for the issuance of transportation and regional infrastructure project (“TRIP”) bonds.</p>	<p>No provision.</p>	<p>The provision amends Title 23 to provide that a State, through a State infrastructure bank, may issue TRIP bonds for qualified projects. A “qualified project” means the capital improvements to any transportation infrastructure project of any governmental unit or other person. The provision does not amend the Code or confer any new Federal tax benefits.</p> <p><u>Effective date.</u>—Date of enactment.</p>
<p>4. Extension of parity for exclusion from income for employer-provided mass transit and parking benefits (sec. 40204 of the Senate amendment and sec. 132(f) of the Code)</p>	<p>Employer-provided qualified transportation fringe benefits, including qualified parking, transit passes, vanpool benefits, are excluded from income and from wages. For 2009 through 2011, the monthly exclusion amounts for qualified parking and for aggregate transit passes and vanpool benefits were the same. As of 2012, the exclusion amount for qualified parking is \$240, and the exclusion amount for aggregate transit passes and vanpool benefits is \$125.</p>	<p>No provision.</p>	<p>The provision extends through 2012 parity in the monthly exclusion amounts for qualified parking and for aggregate transit passes and vanpool benefits, so the exclusion amount for each is \$240.</p> <p><u>Effective date.</u>—Months after December 31, 2011, and before January 1, 2013.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>5. Exempt facility bonds for sewage and water supply facilities (sec. 40205 of the Senate amendment and sec. 146(g) of the Code)</p>	<p>Interest on private activity bonds is taxable unless the bonds meet the requirements for qualified private activity bonds. Qualified private activity bonds include exempt facility bonds for sewage and water facilities. Exempt facility bonds for sewage and water facilities are subject to the State volume caps on private activity bonds. For calendar year 2012, a State's volume cap, which is indexed for inflation, equals \$95 per resident of the State, or \$284,560,000, whichever is greater.</p>	<p>No provision.</p>	<p>The provision excludes exempt facility bonds for sewage and water facilities from the annual State volume cap on private activity bonds. The provision applies to bonds issued before January 1, 2018.</p> <p><u>Effective date.</u>—Bonds issued after the date of enactment.</p>
<p>6. RESTORE Act (secs. 301-302 of the House bill and secs. 1601-1605 of the Senate amendment)</p>	<p>The Oil Spill Liability Trust Fund is financed with revenues from an eight-cents-per-barrel excise tax on crude oil received at a U.S. refinery and on imported petroleum products. The fund is used to pay costs related to oil spill removal activities, natural resource damage assessments and unpaid damages claims. Generally the liability of a party responsible for an oil spill is limited. There is liability for all removal costs but liability for other damages and costs is capped at</p>	<p>Establishes a Gulf Coast Restoration Trust Fund, which is to receive 80% of all administrative and civil penalties paid in connection with the Deepwater Horizon oil spill, for expenditures to restore and protect the ecosystems and economy of the Gulf Coast region. The provision does not amend the Internal Revenue Code.</p> <p><u>Effective date.</u>—Date of enactment.</p>	<p>Establishes a Gulf Coast Restoration Trust Fund, which is to receive 80% of all administrative and civil penalties paid in connection with the Deepwater Horizon oil spill. Specifies allocation by percentages of funding from the Trust Fund to the affected Gulf Coast States and specifies expenditure purposes. Establishes the Gulf Coast Ecosystem Restoration</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>\$75 million. Money from the Fund may be used to pay such claims up to and beyond the responsible party's limit. There is a general limit of \$1 billion per incident that may be paid out of the Oil Spill Liability Trust Fund, with costs of natural resource damage assessments and claims for any single incident limited to \$500 million. The fund is not dedicated to any specific geographic region, such as the Gulf Coast.</p>		<p>Council, also funded by the Trust Fund, to develop and carry out a comprehensive plan to restore and protect the ecosystems and economy of the Gulf Coast. Establishes the Gulf Coast Ecosystem Restoration Science, Observation, Monitoring and Technology Program. Establishes the Gulf of Mexico Research Endowment. The provision does not amend the Internal Revenue Code.</p> <p><u>Effective date.</u>—Date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>C. Revenue Provisions</p> <p>1. Transfer from Leaking Underground Storage Tank Trust Fund to Highway Trust Fund (sec. 40301 of the Senate amendment and secs. 9503 and 9508 of the Code)</p>	<p>In general, gasoline, diesel fuel, kerosene, and most alternative fuels subject to highway and aviation fuels excise taxes, and fuels subject to the inland waterways fuel excise tax are also subject to a 0.1 cent Leaking Underground Storage Tank (“LUST”) Trust Fund financing rate. The monies in the LUST Trust Fund are used to pay expenses incurred by the Environmental Protection Agency and the States for preventing, detecting, and cleaning up leaks from petroleum underground storage tanks, as well as programs to evaluate the compatibility of fuel storage tanks with alternative fuels, methyl tertiary butyl ether (“MTBE”) additives, and ethanol and biodiesel blends.</p>	<p>No provision.</p>	<p>The provision transfers \$3 billion from the LUST Trust Fund to the Highway Trust Fund.</p> <p><u>Effective date.</u>—Date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>2. Portion of Leaking Underground Storage Tank Trust Fund financing rate transferred to Highway Trust Fund (sec. 40302 of the Senate amendment and secs. 9503 and 9508 of the Code)</p>	<p>In general, gasoline, diesel fuel, kerosene, and most alternative fuels subject to highway and aviation fuels excise taxes, and fuels subject to the inland waterways fuel excise tax are also subject to a 0.1 cent Leaking Underground Storage Tank Trust Fund financing rate. The monies in the LUST Trust Fund are used to pay expenses incurred by the Environmental Protection Agency and the States for preventing, detecting, and cleaning up leaks from petroleum underground storage tanks, as well as programs to evaluate the compatibility of fuel storage tanks with alternative fuels, MTBE additives, and ethanol and biodiesel blends.</p>	<p>No provision.</p>	<p>The provision provides that 0.033 cent of the 0.1 cent LUST Trust Fund financing rate is dedicated to the Highway Trust Fund.</p> <p><u>Effective date.</u>—Taxes received after the date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>3. Transfer of gas guzzler taxes to the Highway Trust Fund (sec. 40303 of the Senate amendment and sec. 9503 of the Code)</p>	<p>The Code imposes a tax on automobiles that are manufactured primarily for use on public streets, roads, and highways that are rated at 6,000 pounds unloaded gross vehicle weight or less. The rate of tax increases based on the fuel economy of the model type of the automobile, ranging from \$1,000 for a vehicle with a fuel economy of at least 21.5 mpg but less than 22.5 mpg to \$7,000 for automobile model types with a fuel economy of less than 12.5 mpg. No tax is imposed on automobile model types with a fuel economy of 22.5 mpg or higher.</p>	<p>No provision.</p>	<p>The provision requires that amounts equivalent to the gas guzzler taxes received in the Treasury be transferred to the Highway Trust Fund.</p> <p><u>Effective date.</u>—Taxes received after the date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>4. Revocation or denial of passport in case of certain unpaid taxes (sec. 40304 of the Senate amendment, sec. 6103 of the Code and 22 U.S.C. sec. 211a)</p>	<p>Currently the Federal government revokes passports and denies new passports to individuals who owe more than \$2,500 in child support payments.</p>	<p>No provision.</p>	<p>With certain exceptions for humanitarian purposes, the State Department must revoke a passport or deny an application for a passport (or for renewal of an existing passport) if Treasury certifies that an individual has \$50,000 or more (indexed for inflation) of unpaid federal taxes which the IRS is currently permitted to collect through enforcement action.</p> <p><u>Effective date.</u>—January 1, 2013.</p>
<p>5. 100 percent continuous levy on payments to Medicare providers and suppliers (sec. 40305 of the Senate amendment and sec. 6331(h) of the Code)</p>	<p>The IRS may impose a levy of up to 15 percent against Medicare service providers with tax delinquencies.</p>	<p>No provision.</p>	<p>This provision will permit the IRS to impose a levy of up to 100 percent on tax delinquent Medicare service providers.</p> <p><u>Effective date.</u>—Payments made after date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>6. Transfer amounts of certain duties on imported vehicles into the Highway Trust Fund (sec. 40306 of the Senate amendment)</p>	<p>Customs duties are deposited into the general fund of the Treasury of the United States. This includes customs duties collected on imported vehicles classified under Chapter 87 of the Harmonized Tariff Schedule of the United States.</p>	<p>No provision.</p>	<p>The provision appropriates from the General Fund and deposits into the Highway Trust Fund amounts equivalent to amounts received in the General Fund, for fiscal year 2012 through fiscal year 2016, on articles classified under subheadings 8703.22.00 and 8703.24.00 of Chapter 87.</p> <p><u>Effective date.</u>—Date of enactment.</p>
<p>7. Treatment of securities of a controlled corporation exchanged for assets in certain reorganizations (sec. 40307 of the Senate amendment and sec. 361 of the Code)</p>	<p>In a divisive corporate reorganization involving the spin-off of a subsidiary in which the parent contributes assets to the subsidiary as part of the transaction, the parent corporation must generally recognize gain to the extent the subsidiary assumes parent debt (or distributes property used to pay the parent creditors) in an amount exceeding the bases of the assets contributed by the parent to the subsidiary. However, securities (or stock) issued by the subsidiary to the parent in the transaction, and transferred to creditors of the parent in exchange for parent debt, are not</p>	<p>No provision.</p>	<p>Securities and certain debt-like (nonqualified preferred) stock of a controlled corporation exchanged for assets of the parent corporation in a divisive reorganization and transferred to creditors of the parent are treated in the same manner as the assumption of parent debt by the subsidiary. Also, such securities and nonqualified preferred stock are treated in the same manner as cash if retained by the parent.</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>treated as an assumption of parent debt for this purpose. Also, if any stock or securities of the subsidiary are retained by the parent, they are not taxed in the same manner as a receipt of cash by the parent from the subsidiary would be.</p>		<p><u>Effective date.</u>—The provision generally applies to exchanges after the date of enactment. However, the provision does not apply to any exchange pursuant to a transaction which is (i) made pursuant to a written agreement binding on February 6, 2012 and at all times thereafter, (ii) described in a ruling request submitted to the IRS on or before that date, or (iii) described on or before that date in a public announcement or in a filing with the SEC.</p>
<p>8. Internal Revenue Service levies and Thrift Savings Plan Accounts (sec. 40308 of the Senate amendment and 5 U.S.C. sec. 8437(3)(3))</p>	<p>Generally, the IRS is entitled to seize a taxpayer’s property by levy if a Federal tax lien has attached to such property, the property is not exempt from levy, and the IRS has complied with certain administrative rights of the taxpayer. Thrift Savings Plan Accounts are not listed in the Code provisions identifying property that is exempt from levy.</p>	<p>No provision.</p>	<p>This provision would clarify that funds in Thrift Savings Plan Accounts of Federal employees are subject to legal process by the Internal Revenue Service for payments of delinquent taxes.</p> <p><u>Effective date.</u>—Date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>9. Depreciation and amortization rules for highway and related property subject to long-term leases (sec. 40309 of the Senate amendment and secs. 168, 197, and 147 of the Code)</p>	<p>The cost of land improvements (such as roads, fences, and highways) is recovered over 15 years under the modified accelerated cost recovery system. Any amortizable section 197 intangible, including rights granted by a governmental unit and franchise rights, is amortized over 15 years using the straight-line method.</p> <p>Interest on a private activity bond (“PAB”) that is a qualified bond is excludable from taxable income. A PAB is not a qualified bond if any portion of the proceeds of the issue of which the bond is a part is used to provide any airplane, skybox, or other private luxury box, health club facility, facility primarily used for gambling, or store the principal business of which is the sale of alcoholic beverages for consumption off premises.</p>	<p>No provision.</p>	<p>Under the provision, where a taxpayer leases a highway and receives a right-of-way on the underlying public lands and a franchise or other intangible right permitting the receipt of funds related to operating the highway, in connection with such a lease, (1) the acquisition amount of any highway property placed in service before the date of such lease is recovered over 45 years using the straight-line method; and (2) the acquisition amount of any amortizable section 197 intangible is recovered over a period not less than the term of the lease. In addition, if any portion of the proceeds from a PAB issue is used to finance highway property placed in service before the date of such lease, the PABs are not qualified bonds.</p> <p><u>Effective date.</u>—The provision is effective for leases entered into, and PABs issued, after the date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>10. Extension for transfers of excess pension assets to retiree health accounts (sec. 40310 of the Senate amendment and sec. 420 of the Code)</p>	<p>A qualified transfer of excess assets of a defined benefit plan, including a multiemployer plan, may be made to a retiree medical account within the plan in order to fund current health benefits for retirees. Excess assets generally are the assets in excess, if any, of the value of the plan's assets over 125 percent of the sum of the plan's funding target and target normal cost for the plan year. Special rules also allow transferred excess assets to be used to fund the expected cost of retiree medical benefits for the current and future years and of benefits provided under a collective bargaining agreement. No transfer of assets is allowed under this provision after December 31, 2013.</p>	<p>No provision.</p>	<p>The provision allows transfers through December 31, 2021.</p> <p><u>Effective date.</u>—Date of enactment.</p>
<p>11. Transfer of excess pension assets to retiree group term life insurance accounts (sec. 40311 of the Senate amendment and sec. 420 of the Code)</p>	<p>A qualified transfer of excess assets of a defined benefit plan to a retiree medical account within the plan may be made in order to fund retiree health benefits, but not to fund any other benefits. The cost of group-term life insurance coverage paid by an employer to the extent the coverage</p>	<p>No provision.</p>	<p>The provision allows a qualified transfer of excess assets to a separate account within a defined benefit plan to be used for the purchase of retiree group-term life insurance not in excess of \$50,000 and the limitation on income inclusion for the cost</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>does not exceed \$50,000 is not includible in the gross income of an employee. This limitation on income inclusion does not apply to the cost of group-term life insurance provided through a pension plan.</p>		<p>of such coverage applies even though the coverage is provided through a pension plan. Generally the rules for transfers of excess assets to retiree medical accounts apply to transfers to purchase group-term life insurance.</p> <p><u>Effective date.</u>—Transfers made after date of enactment.</p>
<p>12. Pension funding stabilization (sec. 40312 of the Senate amendment, sec. 430 of the Code and sec. 303 of ERISA)</p>	<p>Under the funding rules for single-employer defined benefit plans, the minimum required contribution generally depends on a comparison of the value of the plan’s assets with the plan’s funding target and target normal cost. Funding target is the present value of all benefits earned as of the beginning of the plan year; target normal cost is the present value of benefits expected to be earned during the plan year. Present value is determined using three interest rates (the first, second and third segment rates), each of which applies to benefit payments expected to be made during a certain period. A segment rate is determined using the portion of a</p>	<p>No provision.</p>	<p>Under the Senate amendment, a segment rate used in determining present value must be increased or decreased as needed to be within a specified range of the average segment rate for the preceding 25-year period. The applicable ranges are (1) 90-110% for 2012, (2) 85-115% for 2013, (3) 80-120% for 2014, (4) 75-125% for 2015, and (5) 70-130% after 2015.</p> <p><u>Effective date.</u>—Plan years beginning after December 31, 2011.</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>corporate bond yield curve (based on average corporate bond yields for the preceding 24-month period) attributable to bonds maturing during the particular segment rate period.</p>		
<p>13. Additional transfers to the Highway Trust Fund (sec. 40313 of the Senate amendment and sec. 9503 of the Code)</p>	<p>Public Law No. 111-46, an Act to restore funds to the Highway Trust Fund, provided that out of money in the Treasury not otherwise appropriated, \$7 billion was appropriated to the Highway Trust Fund effective August 7, 2009. The Hiring Incentives to Restore Employment Act (the “HIRE Act”) provides that out of money in the Treasury not otherwise appropriated, \$14,700,000,000 is appropriated to the Highway Trust Fund and \$4,800,000,000 is appropriated to the Mass Transit Account in the Highway Trust Fund.</p>	<p>No provision.</p>	<p>The provision provides that out of money in the Treasury not otherwise appropriated, the following transfers are to be made from the General Fund to the Highway Trust Fund: \$2,183 million in FY 2012, \$2,277 million in FY 2013, and \$510 million in FY 2014.</p> <p><u>Effective date.</u>—Date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>14. Transfers to Federal Old-Age and Survivors Insurance Trust Fund and Federal Disability Insurance Trust Fund (sec. 40314 of the Senate amendment)</p>	<p>To finance Social Security and Medicare benefits, taxes under the Federal Insurance Contributions Act (“FICA”) are imposed on employers and employees with respect to employee wages. Similar taxes are imposed under the Self-Employment Contributions Act (“SECA”) on self-employed individuals with respect to their self-employment income. These taxes consist of two parts: (1) old-age, survivors, and disability insurance (“OASDI”), which correlates to the Social Security program that provides monthly benefits after retirement, death or disability; and (2) Medicare hospital insurance (“HI”).</p>	<p>No provision.</p>	<p>The provision transfers the following amounts from the General Fund to the OASDI Trust Funds: \$27 million in FY 2012, and \$82 million in FY 2014.</p> <p><u>Effective date.</u>—Date of enactment.</p>
<p>15. Returns relating to certain life insurance contract transactions, tax basis of life insurance contracts, and exceptions to transfer for value rules (secs. 100112-4 of the Senate amendment and new sec. 6050X of the Code)</p>	<p>An exclusion from income applies to amounts received under a life insurance contract paid by reason of the death of the insured. Under rules known as the transfer for value rules, if a life insurance contract is sold or otherwise transferred for valuable consideration, the amount paid by reason of the death of the insured that is excludable may not exceed the sum</p>	<p>No provision.</p>	<p>(A) The provision imposes reporting requirements in the case of the purchase of an existing life insurance contract in a reportable policy sale and imposes reporting requirements on the payor in the case of the payment of reportable death benefits.</p>

Provision	Present Law	House Bill	Senate Amendment
	<p>of (1) the actual value of the consideration, and (2) the premiums or other amounts subsequently paid by the transferee of the contract.</p> <p>Exceptions to the transfer for value rules apply in certain partnership and other situations. The IRS has ruled that, in the case of sale of a cash value life insurance contract, the insured's (seller's) basis is reduced by the cost of insurance.</p>		<p><u>Effective date.</u>—Reportable sales after, and death benefits paid after, December 31, 2012.</p> <p>(B) In determining the basis of a life insurance or annuity contract, no adjustment is made for mortality, expense, or other reasonable charges incurred under the contract (known as “cost of insurance”), reversing the IRS position.</p> <p><u>Effective date.</u>—Transactions entered into after August 25, 2009.</p> <p>(C) The exceptions to the transfer for value rules do not apply in the case of a transfer of a life insurance contract, or any interest in a life insurance contract, in a reportable policy sale.</p> <p><u>Effective date.</u>—Transfers after December 31, 2012.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>16. Phased retirement authority (sec. 100115 of the Senate amendment and new 5 U.S.C. secs. 8336a and 8412a)</p>	<p>Federal employees are allowed to receive retirement benefits under the Civil Service Retirement System (“CSRS”) or the Federal Employee Retirement System (“FERS”) upon separation from Federal service after meeting certain age and years of service requirements. There is no provision for an employee entering a period of phased retirement to receive a partial annuity during a period of reduction to part-time employment after meeting the age and service requirements for retirement benefit eligibility under CSRS or FERS.</p>	<p>No provision</p>	<p>Under the provision, a Federal agency may allow a full-time retirement eligible employee to elect to enter phased retirement status in accordance with regulations issued by the Office of Personnel Management (“OPM”). During that status, generally the employee’s work schedule is a percentage of a full-time work schedule, and the employee receives a retirement annuity equal to the annuity to which the employee would have been entitled if the employee separated from service multiplied by the employee’s retirement percentage.</p> <p><u>Effective date.</u>—The effective date of implementing regulations issued by OPM.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>17. Roll-your-own cigarette machines (sec. 100116 of the Senate amendment and sec. 5702(d) of the Code)</p>	<p>A manufacturer or importer is generally liable for excise taxes imposed on tobacco products and cigarette papers and tubes that are manufactured or imported into the United States. Tobacco products are cigars, cigarettes, smokeless tobacco, pipe tobacco, and roll-your-own tobacco. A manufacturer of tobacco products is any person who manufactures tobacco products except, (1) a person who produces tobacco products solely for the person’s own personal consumption or use, or (2) a proprietor of a customs bonded manufacturing warehouse.</p>	<p>No provision.</p>	<p>The provision amends the definition of manufacturer to include any person who for commercial purposes makes available machines capable of making tobacco products for consumer use. This includes making a machine available for consumers to produce tobacco products for personal consumption or use. For purposes of imposing the tax liability, the person making the machine available for consumer use is deemed to be the person making the removal with respect to any tobacco products manufactured by the machine.</p> <p><u>Effective date.</u>—The provision is applicable to articles removed after the date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>18. Authorizing special measures against foreign jurisdictions, financial institutions, and others that significantly impede United States tax enforcement (sec. 100201 of the Senate amendment and 31 U.S.C. 5138A)</p>	<p>The Secretary of the Treasury may impose restrictive measures on foreign governments or financial institutions if their actions give rise to money laundering concerns.</p>	<p>No provision.</p>	<p>Special measures powers under the Bank Secrecy Act are authorized if an institution, jurisdiction or international transaction significantly impedes tax enforcement. Compliance with the Foreign Account Tax Compliance Act (“FATCA”) is a factor to be considered. Restrictions on the use of correspondent or payable-through accounts are expanded to include restrictions on payment cards or other similar financial instrument.</p> <p><u>Effective date.</u>—Date of enactment.</p>

Provision	Present Law	House Bill	Senate Amendment
<p>19. Delay in application of worldwide interest (sec. 1801 of the Senate amendment and sec. 864(f) of the Code)</p>	<p>To compute the foreign tax credit limitation, a taxpayer must determine its taxable income from foreign sources. Thus, a taxpayer must allocate an apportion deductions between items of U.S.-source and foreign-source gross income. Interest expense is generally allocated on the basis of assets, and affiliated domestic corporations are treated as a single corporation. The American Jobs Act of 2004 modified the interest allocation rules to provide a one-time election to allocate interest expense of the domestic members of a worldwide affiliated group on a worldwide-group basis (i.e., as if all members of the worldwide group were a single corporation). Special rules apply to financial institutions. This election is available for the first taxable year beginning after December 31, 2020.</p>	<p>No provision.</p>	<p>The provision delays the effective date of the worldwide interest allocation rules for one year, until taxable years beginning after December 31, 2021.</p> <p><u>Effective date.</u>—Date of enactment.</p>