

**COMPARISON OF H.R. 3090,
THE ECONOMIC SECURITY AND RECOVERY ACT OF 2001
(AS PASSED BY THE HOUSE OF REPRESENTATIVES) AND
THE ECONOMIC RECOVERY AND HOMELAND DEFENSE ACT OF 2001
(AMENDMENT NO. 2125 BY SENATOR BAUCUS TO H.R. 3090)**

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



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INTRODUCTION

This document,¹ prepared by the staff of the Joint Committee on Taxation, contains a comparison of H.R. 3090, the Economic Security and Recovery Act of 2001 (as passed by the House of Representatives) and the Economic Recovery and Homeland Defense Act of 2001 (Amendment No. 2125 by Senator Baucus to H.R. 3090).

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(AS PASSED BY THE HOUSE OF REPRESENTATIVES) AND
THE ECONOMIC RECOVERY AND HOMELAND DEFENSE ACT OF 2001
(AMENDMENT NO. 2125 BY SENATOR BAUCUS TO H.R. 3090)²**

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
A. Individual Income Tax Provisions			
1. Supplemental rebate (sec. 401 of the House bill and sec. 101 of the Senate amendment)	Provides rebate to individuals who did not qualify for full previous rebate	Same as House bill, except that rebate also applies to possessions and technical correction included relating to stacking of credits	
2. Individual rates (sec. 201(a) of the House bill)	Accelerates the 25-percent rate bracket to 2002	No provision	
3. Alternative minimum tax exemption for individuals (sec. 201(b) of the House bill)	Increases \$49,000 AMT exemption amount by \$3,200 in 2002 and 2003 and by \$1,700 in 2004, and increases other AMT exemption amounts by \$1,600 in 2002 and 2003 and by \$850 in 2004	No provision	
4. Simplify capital gains rates (sec. 202 of the House bill)	Reduces 10- and 20-percent capital gains rates to 8- and 18- percent and eliminates 5-year holding period; repeals mark-to-market election	No provision	
5. Increase deduction of capital losses of individuals (sec. 203 of the House bill)	Increases amount of capital losses that can offset ordinary income from \$3,000 to \$4,000 in 2001 and \$5,000 in 2002	No provision	

² This amendment includes victims relief provisions; however, they are not described in this document because they are included in separate bills: H.R. 2884, the “Victims of Terrorism Relief Act of 2001,” as passed by the House on September 13, 2001, and H.R. 2884, the “Victims of Terrorism Tax Relief Act of 2001,” as passed by the Senate on November 16, 2001.

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
6. Expand exception from early withdrawal tax for health insurance expenses of unemployed individuals (sec. 204 of the House bill)	In the case of individuals unemployed after September 10, 2001, and before January 1, 2003, expands present-law exception to IRA early withdrawal tax for unemployed individuals to apply to withdrawals from all qualified plans by individuals who have received unemployment compensation for four weeks	No provision	
B. Economic Stimulus Provisions			
1. Special depreciation allowance for certain property (sec. 101 of the House bill and sec. 201 of the Senate amendment)	30-percent bonus depreciation deduction; available through 2004, applicable to (1) 20-year property, (2) water utility property, or (3) computer software	10-percent bonus depreciation; available through 2002, applicable to (1) 20-year property, (2) water utility property, (3) computer software, (4) qualified leasehold improvement property, and (5) motion picture films, sound recordings	
2. Temporary increase in section 179 expensing (sec. 102 of the House bill and sec. 202 of the Senate amendment)	Increases section 179 expensing to \$35,000 and beginning point of phasedown to \$325,000 for 2002 and 2003	Same as House bill, but limited to 2002	
3. Repeal corporate alternative minimum tax (sec. 103 of the House bill)	Repeals the corporate alternative minimum tax; makes AMT credits for corporations refundable; effective in 2001	No provision	
4. Temporary extension of the net operating loss carryback period (sec. 104 of the House bill and sec. 203 of the Senate amendment)	Extends net operating loss carryback period from 2 to 5 years for taxable years ending after September 10, 2001, and before January 1, 2004	Same as House bill, but limited to taxable years ending in 2001	
5. Treatment of leasehold improvements (sec. 105 of the House bill)	Shortens the depreciation recovery period for leasehold improvements to 15 years	No provision, but leasehold improvements eligible for bonus depreciation	

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
C. Tax Incentives for New York City and Distressed Areas			
1. Expansion of Work Opportunity Tax Credit targeted categories to include certain employees in New York City (sec. 301 of the Senate amendment)	No provision	Creates a new targeted group of employees made of individuals employed by businesses in the New York Recovery Zone or who are employed elsewhere within New York City due to destruction or damage to workplaces within the New York Recovery Zone; maximum credit is \$4,800 (40% of first \$12,000 of wages); available with respect to wages paid after September 10, 2001, and through December 31, 2002	
2. Authorize issuance of tax-exempt private activity bonds for rebuilding the portion of New York City damaged in the September 11, 2001 terrorist attack (sec. 302 of the Senate amendment)	No provision	Authorizes issuance during 2002 of \$15 billion of tax-exempt private activity bonds to finance the construction and rehabilitation of commercial and residential rental real property in the New York Recovery Zone; if the \$15 billion cannot be used in the New York Recovery Zone, up to \$7 billion can be used outside the New York Recovery Zone	
3. Incentive for reinvestment in New York City (sec. 303 of the Senate amendment)	No provision	Taxpayers can elect not to take into account insurance proceeds in determining gain or loss with respect to property damaged or destroyed in the New York Recovery Zone; qualified replacement property must be purchased by December 31, 2006	
4. Reenact exceptions for qualified mortgage bond financed loans to victims of Presidentially declared disasters (sec. 304 of the Senate amendment)	No provision	Reenacts exception for qualified mortgage bond-financed loans made during two-year period following a Presidential disaster declaration; size limit for home improvement loans increased from \$15,000 to \$25,000; available during 2002	

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5. One-year expansion of authority for Indian tribes to issue tax-exempt private activity bonds (sec. 305 of the Senate amendment)	No provision	Permits qualified Indian tribal governments to issue up to \$10 million of tax-exempt private activity bonds during 2002 for (1) residential rental projects, (2) qualified mortgage bonds, and (3) businesses that would qualify as enterprise zone businesses	
D. Extension of Expiring Tax Provisions			
1. Alternative minimum tax relief for individuals (sec. 301 of the House bill and sec. 401 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
2. Work Opportunity Tax Credit (sec. 304 of the House bill and sec. 402 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
3. Welfare to Work Tax Credit (sec. 305 of the House bill and sec. 403 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
4. Section 45 credit for production of electricity from wind, closed loop biomass, and poultry litter (sec. 303 of the House bill and sec. 404 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
5. Taxable income limit on percentage depletion for marginal production (sec. 307 of the House bill and sec. 405 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
6. Authority to issue qualified zone academy bonds (sec. 308 of the House bill and sec. 406 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
7. Exceptions under Subpart F for active financing income (sec. 331 of the House bill and sec. 407 of the Senate amendment)	Permanent extension with clarification of rules relating to insurance reserves	Extends for 2002	

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8. Increased coverover payments to Puerto Rico and the Virgin Islands (sec. 309 of the House bill and sec. 408 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
9. Delay in effective date of requirement for approved diesel or kerosene terminal (sec. 311 of the House bill and sec. 409 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
10. Deduction for qualified clean-fuel vehicle property and qualified clean-fuel vehicle refueling property (sec. 306 of the House bill and sec. 410 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
11. Credit for purchase of electric vehicles (sec. 302 of the House bill and sec. 411 of the Senate amendment)	Extends for 2002 and 2003	Extends for 2002	
12. Tax on failure to comply with mental health parity requirements (sec. 310 of the House bill and sec. 412 of the Senate amendment)	Extends from January 1, 2002, through September 30, 2003	Extends from January 1, 2002, through September 30, 2002	
13. Combined employment tax reporting. (sec. 413 of the Senate amendment)	No provision	Extends for 2002	
14. Archer medical savings accounts (sec. 321 of the House bill)	Extends for 2003	No provision	
E. Other Tax Provisions			
1. Discharge of indebtedness of an S corporation (sec. 341 of the House bill)	Reverses the decision in <i>Gitlitz v. Commissioner</i> , effective for discharges of indebtedness after October 11, 2001	No provision	
2. Limitation on use of non-accrual experience method of accounting (sec. 342 of the House bill)	Non-accrual experience method of accounting is available only for amounts to be received for the performance of qualified services and for services provided by certain small businesses; effective for taxable years ending after the date of enactment	No provision	

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3. Tax-credit bonds for the National Railroad Passenger Corporation (“Amtrak”) (sec. 901 of the Senate amendment)	No provision	Authorizes Amtrak to issue an aggregate amount of \$7 billion of tax-credit bonds to finance its capital projects during calendar year 2002; in addition, \$2 billion of tax-credit bonds may be issued to finance construction of a new Hudson River rail tunnel	
4. Broadband internet access tax credit (sec. 902 of the Senate amendment)	No provision	Provides a 10% credit for qualified equipment for current generation broadband services offered to potential subscribers in rural and underserved areas; 20% credit for qualified equipment for next generation broadband services offered to potential residential subscribers and subscribers in rural and underserved areas; available for expenditures during 2002	
5. Expansion of period for reinvestment of converted citrus tree property and ratable income inclusion for citrus canker tree payments (sec. 903 of the Senate amendment)	No provision	Permits taxpayers to recognize any realized gain by reason of receiving a citrus canker tree payment ratably over a 10-year period; effective for taxable years beginning before, on, or after the date of enactment	
6. Allowance of electronic forms 1099 (sec. 904 of the Senate amendment)	No provision	Allows IRS Form 1099 to be provided to taxpayers electronically for forms due for taxable years before 2003	
7. Expand exemption from aviation fuels excise taxes for aerial applicators (sec. 905 of the Senate amendment)	No provision	Modifies exemptions for aviation fuels consumed by aerial applicators to (1) make aerial applicator the direct exemption beneficiary in all cases, (2) expand exemption to include fuels consumed between farm and airport, and (3) expand exemption for helicopters engaged in timber operations to include fixed-wing aircraft; effective for 2002	

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8. Recovery period for certain wireless telecommunications equipment (sec. 906 of the Senate amendment)	No provision	Defines qualified technological equipment eligible for 5-year recovery period for depreciation to include wireless communications equipment for property placed in service after September 10, 2001, and before September 11, 2002	
9. Suspend sections 809/815 for one year (sec. 907 of the Senate amendment)	No provision	Suspend application to life insurance companies of section 809 for 2001 and 815 for 2002	
F. Extension of Certain Expiring Trade Provisions			
1. Generalized System of Preferences (sec. 501 of the Senate amendment)	No provision	Extends through 2002	
2. Andean trade preference (sec. 502 of the Senate amendment)	No provision	Extends through June 4, 2002	
3. Trade adjustment assistance program (sec. 503 of the Senate amendment)	No provision	Extends through 2002	
G. Health Care Assistance for the Unemployed			
1. Block grant funding (sec. 501 of the House bill)	Increases funding for the Social Services Block Grant program by \$3 billion in fiscal year 2002; funding to be available to States to assist in providing health care coverage for unemployed workers and their families	No provision	
2. COBRA coverage for displaced workers (sec. 601 of the Senate amendment)	No provision	Provides a temporary 75% premium subsidy for COBRA coverage for displaced workers losing jobs after September 11, 2001; coverage would be available for 12 months and benefits end no later than December 31, 2002; program to be administered by direct payment arrangements with group health plans, employers, and/or state unemployment insurance offices	

ITEM	HOUSE BILL	SENATE AMENDMENT	POSSIBLE COMPROMISE
3. Medicaid coverage for displaced workers (secs. 602 and 603 of the Senate amendment)	No provision	Creates a temporary state option to provide Medicaid coverage to workers who were laid off after September 11, 2001 and who are not eligible for COBRA; coverage would be available for 12 months and benefits end no later than December 31, 2002; also creates a temporary state option to subsidize the remainder of the premium for low-income individuals eligible for the 75% COBRA premium subsidy	
4. Temporary increase in Federal Medicaid matching rate (sec. 604 of the Senate amendment)	No provision	Provides temporary financial assistance for fiscal year 2002 to states to help them meet temporary increases in Medicaid costs	
5. Additional Medicaid provisions (secs.611-614 of the Senate amendment)	No provision	Adds the following: (1) upper payment limit (UPL) change, (2) disproportionate share hospitals (DSH), (3) transitional medical assistance (TMA), and (4) breast and cervical cancer provision	
H. Unemployment insurance (sec. 402 of the House bill and secs. 701-708 of the Senate amendment)			
1. Reed Act transfers/financing	Repeals \$100 million limit on transfers to States from excess Federal funds available at the end of fiscal year 2001; transfers \$9.2 billion of excess Federal unemployment trust fund balances as of the close of fiscal year 2001 to States operating programs meeting Federal requirements	Provides an additional \$500 million accelerated "Reed Act" distribution of funds from the Federal unemployment insurance account to States; uses funds in Federal accounts to pay for increased benefits	
2. Extended benefits	No provision	Provides, through cooperative agreements with States, 13 weeks of extended benefits in all States; effective through December 31, 2002	

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3. Part-time workers	No provision	Makes certain individuals seeking part-time work eligible for unemployment benefits through December 31, 2002	
4. Alternative base period	No provision	Requires State to redetermine eligibility for unemployment benefits using the most recently completed quarter of earnings data if the data has been reported to the States; effective through December 31, 2002	
5. Supplemental benefits	No provision	Provides a temporary Federal supplement to unemployment benefits of 15% or \$25 per week; through December 31, 2002	
I. Emergency Agriculture Assistance			
1. Income assistance for agricultural producers (sec. 801 of the Senate amendment)	No provision	Provides \$1.8 billion of funds of the Commodity Credit Corporation for an income assistance program on terms identical to fiscal year 2001 law	
2. Livestock disaster assistance (sec. 802 of the Senate amendment)	No provision	Provides \$500 million of funds of the Commodity Credit Corporation for the Livestock Assistance Program on terms identical to fiscal year 2001 law	
3. Commodity purchases (sec. 803 of the Senate amendment)	No provision	Provides \$220 million of funds of the Commodity Credit Corporation to purchase agricultural commodities, especially commodities that have experienced low prices during the 2001 crop year	
4. Financing/administration (secs. 811-813 of the Senate amendment)	No provision	Authorizes \$50,400,000 for salaries and expenses of the Department of Agriculture	
J. Budget Provisions			
1. Impact on Social Security trust funds (sec. 908 of the Senate amendment)	No provision	Ensures that balances in the Social Security Trust Fund are not negatively affected by the bill	

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2. Emergency designation (sec. 909 of the Senate amendment)	No provision	Designates any revenue loss, new budget authority, and new outlays under the bill in excess of the fiscal year 2002 budget resolution as emergency requirements	
K. Homeland Defense Provisions (Title X of the Senate amendment)	No provision	Appropriates amounts for homeland defense	