108TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPT. 108–548
Part 1

AMERICAN JOBS CREATION ACT OF 2004

R E P O R T

OF THE

COMMITTEE ON WAYS AND MEANS
HOUSE OF REPRESENTATIVES

TO ACCOMPANY

H.R. 4520

together with

DISSENTING AND ADDITIONAL VIEWS

[Including cost estimate of the Congressional Budget Office]

June 16, 2004.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

On November 6, 2003, CBO transmitted a cost estimate for S. 1637, the Jumpstart Our Business Strength (JOBS) Act, as ordered reported by the Senate Committee on Finance on October 2, 2003. Again, many of the provisions in the two bills are different, and the assumed enactment dates differ as well. The estimated budgetary impact of the two bills reflects those differences.

Estimated Prepared by: Federal Revenues: Annabelle Bartsch. Federal Spending: Deborah Reis, Mark Grabowicz, David Hull, and Matthew Pickford; Margaret Nowak. Impact on State, Local and Tribal Governments: Leo Lex. Impact on the Private Sector: Paige Piper/Bach.

Estimate Approved by: G. Thomas Woodward, Assistant Director for Tax Analysis; Robert A. Sunshine, Assistant Director for Budget Analysis.

D. Macroeconomic Impact Analysis

In compliance with clause 3(h)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made by the Joint Committee on Taxation with respect to the provisions of the bill amending the Internal Revenue Code of 1986:

This bill contains provisions that have partially offsetting effects on business tax rates. Among the major provisions, it lowers marginal and average tax rates on corporate manufacturing income and some other specified corporate income. It also repeals the extraterritorial income exclusion, and includes additional provisions that increase taxes for some corporations. There are many smaller provisions affecting corporate and non-corporate businesses, some of which increase marginal or average rates, and some of which decrease rates.

The net reductions in taxation of U.S. corporations provided for in this bill will provide some incentive for additional investment in corporate capital by the corporations that experience net reductions in their corporate tax rates. However, some firms may experience an increase in taxes due to the repeal of the extraterritorial income exclusion, the limitations placed on certain leasing transactions, and other provisions. Because the rate reductions in this bill are not uniformly provided to all corporations, this proposal is likely to result in a reallocation of investment resources across different corporate sectors both within the U.S. and internationally. Provisions affecting both corporate and non-corporate businesses in small subsectors of the economy would be likely to result in the reallocation of the tax burden across these sectors, which could have positive or negative implications for economic efficiency, and hence, long-run growth. In addition, certain export activity may increase if repeal of the extraterritorial exclusion leads to the elimination of tariffs currently imposed by the European Union. Finally, the net increase in the U.S. Federal government deficit may crowd out some domestic investment in the long run.

In light of these considerations, the effects of the bill on total economic activity within the six-year budget horizon are so small as to be incalculable within the context of our current models of the aggregate economy. In order to produce a complete quantitative analysis of the effects of this proposal on specific sectors of the economy, it would be necessary to model separately the effects of the bill on the average and marginal tax rates of corporations and other businesses of different sizes, and with varying amounts of domestic and international activities. However, current modeling capabilities do not allow for these specific changes to be explicitly modeled at this level of detail.

IV. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. Committee Oversight Findings and Recommendations

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was a result of the Committee's oversight review concerning the tax burden on American taxpayers that the Committee concluded that it is appropriate and timely to enact the revenue provisions included in the bill as reported.

B. Statement of General Performance Goals and Objectives

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes funding, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. Constitutional Authority Statement

With respect to clause 3(d)(1) of the rule XIII of the Rules of the House of Representatives (relating to Constitutional Authority), the Committee states that the Committee's action in reporting this bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have Power To lay and collect Taxes, Duties, Imposts and Excises . . ."), and from the 16th Amendment to the Constitution.

D. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Act of 1995 (Pub. L. No. 104–4).

The Committee has determined that the bill contains seven Federal mandates on the private sector: (1) the provision to repeal the exclusion for extraterritorial income; (2) the provision relating to reportable transactions and tax shelters; (3) the provision relating to the reform of the tax treatment for leasing transactions with tax-indifferent parties; (4) the provision relating to the taxation of aviation grade kerosene; (5) the provision requiring registration of pipeline and vessel operators for exemption of bulk transfers and imposing a penalty for failure to display such registration; (6) the provision to modify the heavy vehicle use tax; and (7) the provision to modify the charitable contribution rules for donations of patents and other intellectual property. The costs required to comply with each Federal private sector mandate generally are no greater than the aggregate estimated budget effects of the provision. Benefits from the provision include improved administration of the tax laws and a more accurate measurement of income for Federal tax purposes.