

- Senate Finance Committee -
 REVENUE EFFECTS OF A POSSIBLE REVENUE RECONCILIATION PROPOSAL

Fiscal Years 1990-1994
 [Millions of Dollars]

Item	Effective	1990	1991	1992	1993	1994	1990-94
I. REPEAL FINANCIAL INSTITUTION (FSLIC & FOIC) TAX BENEFITS							
(P.L. 101-73) (1).....	5/10/89	568	31	351	310	213	1,473
II. CORPORATE PROVISIONS							
A. Defer interest deduction on certain high-yield original issue discount (OID) obligations until interest is paid.....	*	18	44	86	120	141	409
B. Limit dividends received deduction with respect to certain nontaxed income of consolidated subsidiaries (effective for stock issued after date of introduction).....	Intro.	45	92	154	209	271	771
C. Repeal nonrecognition treatment when securities are received in a section 351 transaction.....	(2)	164	288	289	316	359	1,416
D. Reduce built-in gain or loss threshold of sections 382 and 384 to lesser of 15% or \$25 million.....	Intro.	12	18	17	18	19	84
E. Require basis reduction for nontaxed portion of dividends on self-liquidating ("wasting") stock.....	*	6	10	11	12	13	52
F. Modify consolidated return excess loss account recapture rules to prevent shifting of basis to debt.....	*	54	69	61	52	42	278
G. Clarify Treasury regulation authority relating to bifurcation of an instrument into debt and equity portions (section 385).....	*	(3)	(3)	(3)	(3)	(3)	(3)
H. Require reporting to IRS of acquisitions and recapitalizations.....	D/o/E	(3)	(3)	(3)	(3)	(3)	(3)
I. Require Treasury study of "debt versus equity" and integration issues...	D/o/E	--	--	--	--	--	---
J. Limit net operating loss carrybacks attributable to interest expense in certain circumstances (S. 1506).....	ty/e/a; 8/ 2/89	226	406	420	384	343	1,779
K. Require regulated investment companies (mutual funds) to distribute 98% of ordinary income to their shareholders.....	ty/e/a; 7/10/89	50	5	5	5	5	70
L. Adjust basis for mutual fund load charge only if shareholder holds shares for more than six months.....	10/ 3/89	28	46	22	7	5	108
M. Include dividends in income of regulated investment companies on ex-dividend date (effective for ex-dividend dates after D/o/E).....	D/o/E	110	20	20	20	20	190
Subtotals:		713	998	1,085	1,143	1,218	5,157
III. EMPLOYEE BENEFIT PROVISIONS							
A. Repeal partial exclusion for interest paid on ESOP loans if ESOP owns less than 30% of the employer's stock (section 133).....	Generally: 6/ 7/89	1,101	1,400	1,774	2,123	2,488	8,886
B. Permit limited use of excess pension funds to pay current retiree health benefits.....	1/ 1/89	585	417	380	345	321	2,048
Subtotals:		1,686	1,817	2,154	2,468	2,809	10,934

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IV. FOREIGN PROVISIONS							
A. Conform tax years of certain controlled foreign corporations and foreign personal holding companies to the tax years of certain U.S. shareholders (with one-month exception).....	ty/b/a: 7/10/89	48	71	71	71	36	297
B. Change the sourcing of income of certain corporations in commonly-controlled groups.....	ty/b/a: 7/10/89	20	37	41	45	49	192
C. Improve information reporting by U.S. subsidiaries and branches of foreign corporations.....	ty/b/a: 7/10/89	55	75	80	85	90	385
	Subtotals:	123	183	192	201	175	874
V. EXCISE TAX PROVISIONS							
A. Repeal Airport and Airway Trust Fund tax reduction trigger.....	1/ 1/90	851	1,505	1,630	1,762	1,907	7,655
B. Increase international air passenger departure tax from \$3.00 to \$6.00 per person.....	1/ 1/90	51	89	94	100	106	440
C. Impose \$3.00-per-passenger tax on international departures by commercial ships.....	1/ 1/90	5	7	8	8	8	36
D. Impose Oil Spill Liability Trust Fund petroleum tax at \$0.03/barrel (cap at \$300 million).....	1/ 1/90	43	114	60	8	--	225
E. Impose tax on ozone-depleting chemicals subject to the Montreal Protocol.....	1/ 1/90	384	560	753	1,171	1,442	4,310
F. Impose Coastal Wetlands Trust Fund tax on oil and gas produced offshore at \$0.03/barrel of oil and \$0.02/thousand cubic feet of natural gas.....	1/ 1/90	47	80	83	85	88	383
G. Change collection of gasoline excise from semi-monthly to weekly deposits.....	1/ 1/90	111	4	1	2	4	122
H. Modify collection period for airline ticket tax (taxes billed after 6/30/90).....	--	110	6	6	7	7	136
	Subtotals:	1,602	2,365	2,635	3,143	3,562	13,307
VI. ACCOUNTING PROVISIONS							
A. Repeal remaining portion of completed contract method of accounting....	*	171	390	262	116	28	967
B. Modify treatment of cost of acquiring franchises, trademarks, and trade names (20-year amortization election for fixed and contingent payments).....	10/ 3/89	51	108	144	157	185	645
	Subtotals:	222	498	406	273	213	1,612
VII. EMPLOYMENT TAX PROVISIONS							
A. Impose income tax withholding on the wages of certain agricultural workers.....	1/ 1/90	270	68	21	22	23	404
B. Payroll tax speedup (\$250,000 threshold; next-day deposit in 1990, third-day deposit in 1991 and 1992, and next-day deposit thereafter)....	6/30/90	2,366	-694	100	106	1,108	2,986
	Subtotals:	2,636	-626	121	128	1,131	3,390
VIII. OTHER REVENUE-RAISING PROVISIONS							
A. Tax pre-contribution gain on certain in-kind partnership distributions made within three years of contribution.....	*	7	14	18	19	20	78
B. Restrict like-kind exchange basis shifting techniques between related parties, reverse 401(h) letter ruling.....	7/ 10/89	100	120	130	140	151	641
	Subtotals:	107	134	148	159	171	719

Item	Effective	1990	1991	1992	1993	1994	1990 94		
	Code Section	Current Law Expiration							
IX. EXPIRING PROVISIONS									
A. Employer-provided education assistance (through 1991).....	Sec. 127	12/31/88	1/ 1/89	-439	-316	-96	-851		
B. Group legal services (through 1991).....	Sec. 120	12/31/88	1/ 1/89	-127	-82	-29	248		
C. Targeted jobs tax credit (through 1991).....	Sec. 51	12/31/89	1/ 1/90	-47	-134	-144	442		
D. Research and experimentation credit (with modifications) (Permanent).....	Sec. 41	12/31/89	1/ 1/90	-398	-782	968	4,405		
E. Research and experimentation cost allocation rules (64% allocation) (for 2 years).....	Sec. 861	+	8/ 1/89	-335	-625	-275	-1,235		
F. Business energy credits (solar, geothermal, and ocean thermal) (Permanent).....	Sec. 46	12/31/89	1/ 1/90	56	81	51	266		
G. Mortgage revenue bonds (Permanent).....	Sec. 143	12/31/89	1/ 1/90	-11	-55	128	668		
H. Small-issue manufacturing bonds (through 1991)....	Sec. 144	12/31/89	1/ 1/90	7	39	58	258		
I. Low-income housing credit (with modifications) (Permanent).....	Sec. 42	12/31/89	1/ 1/90	-79	-333	681	-3,599		
J. Health insurance for self employed (through 1991)	Sec. 162	12/31/89	1/ 1/90	-244	-411	151	-806		
K. Waiver of early withdrawal tax for ESOPs (through 1991).....	Sec. 72(t)	12/31/89	1/ 1/90	-10	-20	-10	-40		
		Subtotals:		-1,753	-2,878	-2,591	-2,522	-3,064	-12,808
X. CHILD CARE INITIATIVE AND TELEPHONE EXCISE TAX									
A. Child care initiative:									
1. Dependent care credit, refundable, present law; Advanced refundable 1/1/92; 90% refundability limit.....			1/ 1/91		51	1,090	1,140	1,229	3,500
2. Health insurance credit; Rate: 50%; Phaseout: \$12,000 - \$21,000.....			1/ 1/91		46	964	903	882	2,795
3. EITC supplemental for children under 4 years old; Rates: 7% for 1 child, 10% for 2+ children; Phaseout rates: 10%, 15%; Phaseout income levels: \$10,000 - \$15,000 indexed.....			1/ 1/91		63	64	681	732	2,108
B. Require corporate estimated tax payments on tax liability for certain Subchapter S income.....			1/ 1/90	25	(3)	(3)	(3)	(3)	25
C. Telephone excise tax									
1. Permanent extension.....			1/ 1/91		1,612	2,732	2,930	3,143	10,417
2. Modify collection period (100% speedup, effective for taxes billed by service providers after 6/30/90).....			6/30/90	102	5	5	6	6	124
		Subtotals:		127	1,457	51	222	306	2,163
XI. INDIVIDUAL RETIREMENT ACCOUNTS (IRAs)									
Provide for 50% Deductibility of Contributions (effective 1/1/91), and Allow Penalty-Free Withdrawals for First-Time Homes and Higher Education Expenses (effective 1/1/90).....			1/ 1/91 and 1/ 1/90	192	1,560	3,265	-3,613	-4,055	12,685
XII. OTHER PROVISIONS									
A. Repeal section 89.....			1/ 1/89	154	156	170	185	204	80
B. Continue temporary rules concerning allocation of taxes for Railroad Retirement Trust Fund.....			10/ 1/89						

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C. Require exercise of Treasury regulatory authority with respect to full-funding limitation on a revenue-neutral basis.....	O/o/E	--	--	--	--	--	---
D. Treat income from personal injury awards to children as earned income...	1/ 1/87	(3)	(3)	(3)	(3)	(3)	(5)
E. Permit private foundations to use common investment funds.....	1/ 1/90	-1	-4	-8	-11	-15	-39
F. Modify rules concerning recapture of bad-debt reserves of mutual savings banks and thrifts.....	O/o/E	1	3	10	13	20	47
G. Deny retroactive certification of WIN credit.....	(7)	38	28	12	--	--	78
H. Estate and gift tax provisions:							
2. Estate tax marital deduction--Overrule Howard Estate.....	Cmte Actn	(6)	(6)	(6)	(6)	(6)	(6)
2. Exclude annual exclusion gifts under section 2035.....	O/o/E	-1	-2	-2	-3	-3	-11
3. Allow waiver of right of contribution (section 2207A) in limited circumstances.....	O/o/E	(6)	(6)	(6)	(6)	(6)	(6)
4. Repeal estate freeze rules (section 2036(c)).....	12/31/87	-27	-72	-146	-249	-384	-878
5. Generation-skipping transfer tax.....	Cmte Actn	-1	-15	-23	-31	-42	-112
6. Denial of marital deduction to foreigners; eliminate income requirement and other minor changes.....	11/10/88	(6)	-2	-2	-2	-2	-8
7. Trustee discretion to make distributions to surviving spouse in case of need (effective for decedents after 11/10/88).....	11/10/88	-4	-2	-2	-3	-3	-14
I. Allow deduction for certain adoption expenses.....	1/ 1/90	-2	-3	-3	-3	-3	-14
J. Income averaging for farmers.....	1/ 1/90	-5	-65	-70	-75	-80	-295
K. Drought deferral extension (effective for all open years).....	--	-12	--	--	--	--	-12
L. Small diesel fuel tax relief.....	12/22/87	-(6)	-1	-1	+(6)	+(6)	-2
M. Treatment of hedging transactions by REITs.....	O/o/E	(8)	(8)	(8)	(8)	(8)	(8)
N. Cost recovery:							
1. Recovery period for rental taxedos.....	1/ 1/90	-2	-7	-8	-7	-5	-29
2. Revenue-neutral change to deduction for expenditures incurred to assist disabled.....	1/ 1/90	--	--	--	--	--	---
O. Employee benefit provisions							
1. Section 401(k) plans for tax-exempt organizations.....	1/ 1/90	-15	-32	-38	-42	-56	-183
2. Change in integration rules.....	1/ 1/89	(9)	(9)	(9)	(9)	(9)	(9)
3. Modify geographic limitation on VEBAs.....	Cmte Actn	-5	-9	-13	-17	-20	-64
4. Leased employees and dependent care.....	--	(9)	(9)	(9)	(9)	(9)	(9)
P. Tax-exempt bonds							
1. State Housing Agency bonds.....	O/o/E	-1	-4	-7	-11	-16	-39
2. Refunding bonds.....	O/o/E	-1	-4	-6	-9	-11	-31
3. Modify rules concerning tax-exempt bonds issued by 501(c)(3) organizations.....	1/ 1/90	-4	-9	-15	-22	-29	-79
4. Mortgage Credit Certificate (MCC).....	O/o/E	(6)	(6)	(6)	(6)	(6)	(6)
5. Sports facilities.....	1/ 1/90	-2	-6	-11	-16	-23	-58
Q. Insurance: Treatment of split annuities.....	10/21/88	(6)	(6)	(6)	(6)	(6)	(6)
R. Reduce BATF occupation tax for small retail dealers.....	1/ 1/90	-5	-5	-5	-6	-6	-27
S. Provide statute of limitations for occupational taxes.....	O/o/E	-2	-2	-2	-2	-2	-10
T. Permanent increase in excise tax on pension reversions to 20%.....	Cmte Actn	9	4	2	1	1	17
U. Essential air service--Add authorization to Airport & Airway Trust Fund.	O/o/E	--	--	--	--	--	---
V. Foreign provisions							
1. Consider certain leased assets for purposes of the passive foreign investment company asset test.....	ty/b/a: 12/31/88	-6	-5	-5	-5	-5	-26
2. Provide exception from passive foreign investment company rules for export trade corporations.....	ty/b/a: 1/ 1/90	-6	-4	4	-4	-4	-22
3. Modify treatment of certain scholarships and fellowships received by nonresident aliens.....	1/ 1/90	-2	-4	-4	-4	-4	-18

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W. Accounting provisions							
1. Rural electric coops--Safe-harbor leasing.....	(10)	-12	-7	-7	-7	-6	-39
2. Farm debt--Discharge of indebtedness income.....	1/ 1/87	-45	-18	-20	-23	-26	-132
3. Contributions for facilities to replace contaminated water supplies..	1/ 1/89	-1	-1	-2	-2	-2	-8
4. Percentage of completion method of accounting--Adopt (15% of costs) rule.....	1/ 1/90	-83	-119	-57	-35	-22	-316
5. Timber passive loss material participation exception.....	ty/b/a: 12/31/89	8	-26	-30	-36	40	-140
6. Annual accrual method of accounting not limited to sugar cane.....	1/ 1/87	8	8	3	3	3	25
7. Installment sales of residential lots and timeshares by C corporations (regular and minimum tax).....	1/ 1/90	-13	-17	12	-7	6	-55
X. Energy/excise tax provisions							
1. Extend section 29 credit through 12/31/92 and include production from tight sands.....	1/ 1/90	-40	-99	-168	-198	-180	-685
2. Ethanol--Compliance related proposals.....	1/ 1/90	(6)	(6)	(6)	(6)	(6)	(6)
3. Facilitate tax-free purchase of fuels by crop dusters.....	1/ 1/90	-3	-4	-4	-4	-4	-19
Y. Alternative minimum tax credit and exclusion items.....	1/ 1/90		24	-61	-92	119	-296
Z. Small business exemption from recognition of gain or loss on liquidating sales or distributions (exemption from repeal of General Utilities doctrine).....	1/ 1/89	3	1	5	11	15	27
AA. Penalty reform.....	1/ 1/90	--	-51	-82	58	25	216
BB. IRS notice to taxpayers concerning withholding per S. 811 and S. 753....	0/o/E	--	--	--	--	--	--
CC. Increase Joint Committee on Taxation refund review threshold to \$1 million.....	D/o/E	--	--	--	--	--	--
DD. Technical corrections.....	--	--	--	--	--	--	--
Subtotals:		-420	-751	-972	-1,169	-1,342	-4,654

SUMMARY

I. REPEAL FSLIC & FDIC TAX BENEFITS (1).....	568	31	351	310	213	1,473
II. CORPORATE PROVISIONS.....	713	998	1,085	1,143	1,218	5,157
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VII. EMPLOYMENT TAX PROVISIONS.....	2,636	626	121	128	1,131	3,390
VIII. OTHER REVENUE-RAISING PROVISIONS.....	107	134	148	159	171	719
Subtotals: REVENUE-RAISING PROVISIONS (I-VIII).....	7,657	5,400	7,092	7,825	9,492	37,466
IX. EXPIRING PROVISIONS.....	-1,753	-2,878	-2,591	-2,522	-3,064	-12,808
X. CHILD CARE INITIATIVE AND TELEPHONE EXCISE TAX.....	127	1,457	51	222	306	2,163
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GRAND TOTALS.....	5,419	1,668	315	743	1,337	9,482

[Footnotes for table appear on following page.]

NOTES: In "Effective" column-- D/o/E denotes provision effective on date of enactment.
ty/b/a denotes "taxable years beginning after" effective date given.
ty/e/a denotes "taxable years ending after" effective date given.
* denotes provision is effective for transactions after 7/10/89, unless otherwise noted.

- + Rules expire 4 months after start of a firm's first tax year beginning after 8/1/87.
- (1) Estimate reflects net budget effects, including outlay effects, as estimated by the Congressional Budget Office.
- (2) Provision generally would apply to transfers made by corporations after 7/11/89 and to transfers made by all other persons after the date of introduction of proposal.
- (3) Gain of less than \$5 million.
- (4) Gain of less than \$500,000.
- (5) Total is not available for estimates represented by footnotes.
- (6) Negligible amount.
- (7) Credits first claimed after March 11, 1987.
- (8) Loss of less than \$5 million.
- (9) Loss of less than \$500,000.
- (10) Open year returns as of date of enactment.