

**ESTIMATED BUDGET EFFECTS OF A MODIFIED CHAIRMAN'S AMENDMENT IN THE NATURE OF A SUBSTITUTE TO
THE REVENUE PROVISIONS CONTAINED IN H.R. 3090,
THE "ECONOMIC SECURITY AND RECOVERY ACT OF 2001,"
SCHEDULED FOR MARKUP BY THE COMMITTEE ON WAYS AND MEANS ON OCTOBER 12, 2001**

Fiscal Years 2002 - 2011

[Millions of Dollars]

Provision	Effective	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-06	2002-11
Cost Recovery Provisions													
1. 30% expensing of the value of capital assets with MACRS lives of 20 years or less and purchased software (sunset after 36 months) [1]	ppiso/a 9/11/01	-39,301	-36,125	-30,295	6,904	22,299	18,165	15,136	11,649	8,195	5,484	-76,518	-17,889
2. Increase in section 179 expensing to \$35,000, and increase beginning point for phaseout to \$325,000 for 24 months	tyba 12/31/01	-852	-1,406	-142	682	466	351	267	188	116	65	-1,251	-264
3. 15-year life for leasehold improvements [2]	lipiso/a 9/11/01	-78	-202	-369	-533	-684	-806	-917	-1,050	-1,186	-1,294	-1,865	-7,118
Total of Cost Recovery Provisions		-40,231	-37,733	-30,806	7,053	22,081	17,710	14,486	10,787	7,125	4,255	-79,634	-25,271
Net Operating Loss Provision - 5-Year Carryback of Net Operating Losses and Waive the AMT 90% Limitation on the Allowance of Losses (sunset after 36 months)													
	NOLs gi tyeo/a 9/11/01	-4,704	-3,528	-1,910	3,418	3,026	1,967	867	185	114	114	-3,699	-452
Alternative Minimum Tax Provision - Repeal the corporate AMT and fully refund AMT credits													
	tyba 12/31/00	-25,397	822	1,209	736	189	-72	-13	-104	-533	-911	-22,441	-24,074
Deferral of Multinational Business Income Provision - Permanently extend exceptions under subpart F for active financing income													
	tyba 12/31/01	-260	-1,252	-1,441	-1,659	-1,911	-2,202	-2,537	-2,921	-3,342	-3,821	-6,523	-21,346
Provisions Affecting Individual Taxpayers													
1. Supplemental Rebate - Provide a rebate (\$300 individual, \$600 married filing jointly, and \$500 head-of-household) for individuals who filed a tax return in 2000 other than dependents and nonresident aliens; rebate amount reduced by amount of rebate individual received under H.R. 1836	DOE	-13,733	---	---	---	---	---	---	---	---	---	-13,733	-13,733
2. Accelerate the 25% individual income tax rate scheduled to go into effect in 2006 to 2002	tyba 12/31/01	-12,816	-18,862	-12,196	-7,685	-2,106	---	---	---	---	---	-53,665	-53,665
3. Increase AMT exemption by \$1,600 non-joint/\$3,200 joint for 2002 and 2003, and \$850 non-joint/\$1,700 joint for 2004	tyba 12/31/01	-717	-2,063	-2,315	-1,250	---	---	---	---	---	---	-6,345	-6,345

Provision	Effective	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-06	2002-11
4. Increase deduction of capital losses of individuals against ordinary income from \$3,000 to \$4,000 for taxable year 2001 only and \$5,000 for taxable year 2002 only	tyba 12/31/00	-840	-1,224	83	54	25	---	---	---	---	---	-1,903	-1,903
5. Simplify individual capital gains - repeal mark-to-market and the 5-year holding period and allow adjusted net capital gains to qualify for the 18%/8% capital gains rates	soeo/a 10/12/01	-535	1,451	-1,033	-2,420	-2,385	-1,810	-1,318	-966	-637	-759	-4,922	-10,413
6. Expand the exemption from the early withdrawal tax for health insurance expenses for unemployed individuals	[3]	-13	-59	-33	1	1	1	1	1	1	1	-103	-99
Total of Provisions Affecting Individual Taxpayers		-28,654	-20,757	-15,494	-11,300	-4,465	-1,809	-1,317	-965	-636	-758	-80,671	-86,158
Extension of Expiring Provisions and Technical Amendments													
1. Two-year extension of provisions expiring in 2001													
a. Treatment of nonrefundable personal credits under the individual alternative minimum tax [4]	tyba 12/31/01	-123	-664	-695	---	---	---	---	---	---	---	-1,482	-1,482
b. Work opportunity tax credit	wpoifibwa 12/31/01	-92	-246	-247	-130	-51	-17	-3	---	---	---	-766	-786
c. Welfare-to-work tax credit	wpoifibwa 12/31/01	-27	-79	-90	-54	-23	-8	-2	[5]	---	---	-272	-283
d. Tax credit for electricity production from wind, closed-loop biomass, and poultry litter -- facilities placed in service date	ppisa 12/31/01	-9	-26	-33	-34	-34	-35	-36	-37	-38	-39	-136	-322
e. Suspension of 100 percent-of-net-income limitation on percentage depletion for oil and gas from marginal wells	tyba 12/31/01	-27	-41	-14	---	---	---	---	---	---	---	-82	-82
f. Qualified zone academy bonds	tyba 12/31/01	[5]	-2	-7	-14	-20	-21	-21	-21	-21	-21	-43	-147
g. Temporary increase in limit on cover over of rum excise tax revenues (from \$10.50 to \$13.25 per proof gallon) to Puerto Rico and the Virgin Islands [6]	DOE	-65	-61	-14	---	---	---	---	---	---	---	-140	-140
h. Suspension of requirement that terminals selling diesel fuel and kerosene must sell both dyed and undyed fuel	DOE	----- <i>Negligible Revenue Effect</i> -----											
i. Deductions for clean-fuel vehicles and refueling property	ppisa 12/31/01 [7]	-9	-19	-18	-13	2	19	18	11	6	3	-57	-1
j. Tax credit for electric vehicles	ppisa 12/31/01 [8]	-25	-43	-41	-34	-20	1	6	4	2	1	-163	-150
k. Tax on failure to comply with mental health parity requirements applicable to group health plans	pybo/a 1/1/02	----- <i>Negligible Revenue Effect</i> -----											
2. One-year extension of provision expiring in 2002 - Archer medical savings accounts ("MSAs")	DOE	---	[5]	-2	-2	-2	-2	-2	-2	-2	-2	-7	-15
3. Technical Amendments:													
a. Limit use of non-accrual experience method of accounting to amounts to be received for the performance of qualified professional services	tyea DOE	14	62	33	29	16	8	10	12	13	15	154	212

Provision	Effective	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002-06	2002-11
b. Reverse the Supreme Court's decision in <i>Gitlitz v. Commissioner</i> (relating to subchapter S corporations)	[9]	153	106	89	93	97	102	106	111	116	121	539	1,094
Total of Extension of Expiring Provisions and Technical Amendments		-210	-1,013	-1,039	-159	-35	47	76	78	76	78	-2,455	-2,102
NET TOTAL		-99,456	-63,461	-49,481	-1,911	18,885	15,641	11,562	7,060	2,804	-1,043	-195,423	-159,403

Joint Committee on Taxation

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

Legend for "Effective" column:

DOE = date of enactment

gi = generated in

lipiso/a = leasehold improvements placed in service on or after

NOLs = net operating losses

ppisa = property placed in service after

ppiso/a = property placed in service on or after

pybo/a = plan years beginning on or after

soeo/a = sales or exchanges on or after

tyba = taxable years beginning after

tyea = taxable years ending after

tyeo/a = taxable years ending on or after

wpoifibwa = wages paid or incurred for individuals beginning work after

[1] A binding contract placed-in-service extension would apply in certain cases.

[2] Provision is not eligible for the 30% expensing provision.

[3] Effective for distributions made after the date of enactment to individuals who receive unemployment compensation for four consecutive weeks during the period from September 11, 2001, to December 31, 2002.

[4] The "Economic Growth and Tax Relief Reconciliation Act of 2001" provides that the child tax credit and adoption tax credit are allowed for purposes of the alternative minimum tax for 2002 through 2010.

[5] Loss of less than \$500,000.

[6] Estimate provided by the Congressional Budget Office.

[7] The deduction phases down for vehicles placed in service after 12/31/03. The deductible amount is reduced by 25 percent in 2004, 50 percent in 2005, and 75 percent in 2006. No expensing is available after 2006.

[8] The credit phases down for vehicles placed in service after 12/31/03. The credit is reduced by 25 percent in 2004, 50 percent in 2005, and 75 percent in 2006. No credit is available after 2006.

[9] The proposal would apply to all taxable years beginning before, on, or after October 12, 2001. The proposal would not apply to a shareholder if the shareholder filed an income tax return or claim for refund, with respect to a discharge of indebtedness, before October 12, 2001, and the return or claim took the position upheld by the Supreme Court decision in the *Gitlitz* case.