

COMPARISON OF REVENUE PROVISIONS
OF
H.R. 6211 (SURFACE TRANSPORTATION ASSISTANCE ACT OF 1982)
AS PASSED BY THE HOUSE OF REPRESENTATIVES AND THE SENATE

Prepared for Use by the House and Senate Conferees
by the Staff of the Joint Committee on Taxation

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I. HIGHWAY-RELATED TAX PROVISIONS

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
A. MOTOR FUELS TAX PROVISIONS			
1. <u>Gasoline/diesel fuel/special motor fuels</u>	4¢/gal. through Sept. 30, 1984 (1-1/2¢/gal. thereafter)	9¢/gal. through Sept. 30, 1988 (no tax thereafter)	9¢/gal. through Sept. 30, 1989 (no tax thereafter)
2. <u>Motorboat fuels</u>	4¢/gal. through Sept. 30, 1984 (1-1/2¢/gal. thereafter)	9¢/gal. through Sept. 30, 1988 (no tax thereafter)	9¢/gal. through Sept. 30, 1989 (no tax thereafter)
3. <u>Fuel exemptions:</u>			
a. Gasohol (10% alcohol)	4¢/gal. exemption through December 31, 1992	4¢/gal. exemption through Sept. 30, 1988	9¢/gal. exemption through Dec. 31, 1992
b. Intercity, school and local buses (private)	4¢/gal. exemption	9¢/gal. exemption through Sept. 30, 1988	9¢/gal. exemption through Sept. 30, 1989
c. Qualified taxicabs	4¢/gal. exemption through 1982, for taxicab services that are not prohibited by Federal, State, or local law or company policy from providing ride-sharing and for taxicabs meeting fuel economy standards for 1978 and later models.	4¢/gal. exemption through Sept. 30, 1984	4¢/gal. exemption --through Sept. 30, 1984 for taxis eligible under present law --through Dec. 31, 1983, for taxis not able to offer ride-sharing due to local law
		Treasury study on exemption's effectiveness	Treasury study on exemption's effectiveness
d. State and local government	4¢/gal. exemption	9¢/gal. exemption through Sept. 30, 1988	9¢/gal. exemption through Sept. 30, 1989
e. Nonprofit educational institutions	4¢/gal. exemption	9¢/gal. exemption through Sept. 30, 1988	9¢/gal. exemption through Sept. 30, 1989

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
f. Farming use	4¢/gal. exemption	9¢/gal. exemption through Sept. 30, 1988	9¢/gal. exemption through Sept. 30, 1989
g. Nonhighway qualified business use	2¢/gal. exemption	9¢/gal. exemption through Sept. 30, 1988	9¢/gal. exemption through Sept. 30, 1989
h. Vanpool vehicles	No provision	No provision	9¢/gal. exemption for vehicles carrying 8 or more adults (not including driver) if used more than 80 percent for commuting to and from work, through Sept. 30, 1989. Owner can be employer, operator, or other party leasing to employer or operator
i. Certain alcohol fuels	None	9¢/gal. exemption for alcohol fuels 85% or more pure if from other than petroleum through Sept. 30, 1988	9¢/gal. exemption for alcohol fuels 85% or more pure if from other than petroleum or natural gas through Sept. 30, 1989
j. Ground fertilizer applicators	Permits aerial applicator to claim farm fuel exemption directly	Extends to ground fertilizer applicators the right to claim farm fuels exemption directly	Same as House provision

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
4. <u>Alcohol fuels income tax credit</u>	40 cents/gal. income tax credit for certain alcohol fuels; offset for excise tax exemptions; through 1992	Same as present law, except through Sept. 30, 1988	Present-law income tax credit increased to 90 cents/gal.; through 1992
5. <u>Tariff on imported alcohol fuels</u>	40 cents/gal. tariff on imported alcohol fuels after Dec. 31, 1982 and before Jan. 1, 1993 (20¢ gal. through Dec. 31, 1982)	Same as present law	90 cents/gal. tariff on imported alcohol fuels from Apr. 1, 1983 until Jan. 1, 1993
6. <u>Time for payment of gas tax</u>	Generally semi-monthly, due 9 days after end of period; no requirement of electronic wire transfer	Same as present law	Extends time of payment to 15 days after end of semi-monthly period for oil jobbers selling 2 million or fewer gallons during period if jobber pays by electronic wire transfer.
7. <u>Effective dates for fuels tax changes</u>		April 1, 1983, except Jan. 1, 1983, for taxicab exemption	Same as House provision
B. <u>TIRES, TREAD RUBBER, AND INNERTUBES</u>			
1. <u>Highway tires</u>	9.75 cents/lb. through Sept. 30, 1984 (4.875 cents/lb. thereafter)	25 cents/lb. for tires over 100 lbs. through Sept. 30, 1988 (no tax thereafter).	10 cents/lb. for first 50 pounds; 15 cents/lb. for next 50 pounds; 25 cents/lb. for excess over 100 pounds through Sept. 30, 1989
2. <u>Nonhighway tires</u>	4.875 cents/lb.	Repeal	Same as House provision
3. <u>Laminated tires (nonhighway)</u>	1 cent/lb.	Repeal	Same as House provision

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
4. <u>Tread rubber</u> (for highway vehicles--trucks and autos)	5¢/lb. through Sept. 30, 1984	25¢/lb. if tire weight is over 100 lbs.; through Sept. 30, 1988; no tax otherwise.	6¢/lb.; through Sept. 30, 1989 (Floor amendment by Senator Roth, adopted by voice vote.)
5. <u>Innertubes</u>	10¢/lb. through Sept. 30, 1984 (9¢/lb. thereafter)	Repeal	
6. <u>Effective date</u>		January 1, 1984	April 1, 1983
C. <u>LUBRICATING OIL</u>	6¢/gal.	Repeal, effective on day after date of enactment	Retain present law and extend tax to synthetic lubricating oils, effective on day after date of enactment.
D. <u>TRUCK-RELATED TAXES</u>			
1. <u>New trucks, truck trailers</u>	(a) 10% manufacturers sale price, if more than 10,000 lbs. (other than tractors), through Sept. 30, 1984 (5% thereafter) (b) Roadtrailers not specifically exempt (c) Livestock carriers not specifically exempt	(a) 12% retail tax, if more than 33,000 lbs. (26,000 lbs. for trailers), through Sept. 30, 1988 (b) Roadtrailers exempt if primarily for use on railroad (c) No provision	(a) Same as House provision except through Sept. 30, 1989 (b) Roadtrailers exempt if for use both as highway vehicle and railroad car (c) Truck and trailer bodies uniquely designed as livestock carriers, used to and on farms, exempt (Floor amendments by Senators Boren and Grassley, approved by voice votes.)
2. <u>Truck parts and accessories</u>	8% manufacturers sale price, through Sept. 30, 1984 (5% thereafter)	Repeal	10% of manufacturers sales price, if for trucks or trailers over 10,000 lbs. (through Sept. 30, 1989) (Floor amendment by Senator Boschwitz, approved by vote of 96-1.)

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
3. <u>Effective dates</u>		April 1, 1983, except higher weight thresholds, roadrailer exemption, and repeal of parts tax on day after enactment. Refunds for sales of tax-repealed articles between 12/2/82 and date of enactment	Same as House provision, except weight threshold for parts and accessories and livestock carrier exemption apply on day after enactment. Refunds for sales of tax-repealed articles between 11/28/82 and date of enactment.
E. HEAVY VEHICLE USE TAX			
1. <u>Tax rate per year</u>	\$3/1,000 lbs., if taxable gross weight more than 26,000 lbs., through Sept. 30, 1984 (no tax thereafter)	Under 33,000 lbs.--no tax; 33-55,000 lbs.--\$60 plus \$20/1,000 lbs. over 33,000; 55-80,000 lbs.--\$500 plus \$60/1,000 lbs. over 55,000; 80,000 lbs. or more--\$2,000 (no tax after Sept. 30, 1988)	Under 33,000 lbs.--no tax; 33-55,000 lbs.--\$80 plus \$10/1,000 lbs. over 33,000 lbs.; 55-70,000 lbs.--\$300 plus \$20/1,000 lbs. over 55,000; 70-80,000 lbs.--\$600 plus \$60/1,000 lbs. over 70,000; 80,000 lbs. or more--\$1,200. (Floor amendment by Senator Boschwitz, adopted by vote of 96-1.) (no tax after Sept. 30, 1989)
2. <u>Mileage exemption</u>	None	Exemption if not more than 2,500 miles per year on public highways	Exemption if not more than 5,000 miles per year on public highways
3. <u>State verification and enforcement</u>	None	(a) Require receipt for payment of Federal use tax before State will register vehicle (effective Jan. 1, 1985) (nontax title)	(a) No provision
		(b) Reduce State apportionment if State does not comply (nontax title)	(b) No provision
4. <u>Refund for discontinued use</u>	None	No provision	Refund allowed (Floor amendment by Senator Grassley, adopted by voice vote.)

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
5. <u>Effective date</u>			
(a) General rule		(a) January 1, 1984	(a) 1/3 of increase on Jan. 1, 1984; 2/3 of increase on Jan. 1, 1985; increase fully effective on Jan. 1, 1986 (Floor amendment by Senator Boschwitz, adopted by vote of 96-1.)
(b) Special rule for small owners		(b) No provision	(b) Same as general rule, except increase fully effective on Jan. 1, 1987. (Floor amendment by Senator Grassley, adopted by voice vote.)
F. <u>TRANSITION RULES</u>			
1. <u>Floor stocks taxes</u>		Imposed on date tax increases effective, at the increase in tax rate	Same as House provision
2. <u>Floor stocks refunds/credits</u>		Refunds or credits for items held in inventory on dates tax decreases effective, on which higher tax rates had been paid previously; consumer refunds for trucks, trailers, and truck parts sold between Dec. 2, 1982, and date of enactment for which tax is repealed	Same as House provision, except Dec. 2, 1982 date changed to November 28, 1982
G. <u>MOTOR CARRIER OPERATING RIGHTS</u>	Basis of operating rights increased where stock acquired by corporate purchaser	Extends basis adjustment to where stock acquired by individuals	Same as House provision

II. TRUST FUND PROVISIONS

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
A. HIGHWAY TRUST FUND PROVISIONS			
1. <u>Transfer of tax revenues to Trust Fund</u>	Through Sept. 30, 1984	Through Sept. 30, 1988	Through Sept. 30, 1989
2. <u>Expenditures from Trust Fund</u>	Through Sept. 30, 1984	Through Sept. 30, 1988	Through Sept. 30, 1990
3. <u>Transfer of Trust Fund to Internal Revenue Code</u>	Highway Trust Fund is outside Internal Revenue Code	Highway Trust Fund transferred to Code	Same as present law
4. <u>Specificity of Trust Fund expenditures</u>	Meet obligations incurred under Federal-Aid Road Act of July 11, 1916, as amended and supplemented, attributable to Federal-aid highways (including portion of administrative expenses of Bureau of Public Roads)	Permit expenditures authorized under present law, the 1982 Act (H.R. 6211), or future laws for general purposes authorized as of Dec. 31, 1982	Same as present law, except updates language to refer to DOT, FHWA
5. <u>Anti-deficit provision</u> ("Byrd amendment")	If projected Trust Fund revenues are not sufficient to cover outstanding authorizations, then Trust Fund apportionments to States for a year are to be reduced proportionately	If unfunded authorizations exceed 2 years of Trust Fund estimated net receipts, Trust Fund apportionments to States are reduced proportionately	Same as present law
6. <u>Authority for repayable advances</u>	Yes	No	Yes
7. <u>Motorboat fuel tax revenues/ Land and Water Conservation Fund/Boating Safety Fund</u>	Revenues from tax transferred to Land and Water Conservation Fund, except up to \$20 million per year (through FY 83) to Boating Safety Fund, subject to a \$20 million cap on accumulated amounts in Boating Safety Fund	Increases caps on Boating Fund to \$45 million extends fund through FY 1988; continues transfer of remaining amounts to Land and Water Conservation Fund.	Same as House provision, except through FY 1989 (In nontax title, contract authority would be substituted for the present requirement for appropriation of funds.)

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
D. MASS TRANSIT ACCOUNT			
1. <u>Establishment</u>	No transit account under present law	Separate account within Highway Trust Fund; contract authority (provided in nontax titles of H.R. 6211).	Same as House provision
2. <u>Funding</u>		Funded by 1 cent/gal. from motor fuels taxes	Same as House provision
3. <u>Expenditure purposes</u>		Used for transit capital programs under H.R. 6211, including new projects	Same as House provision
4. <u>Anti-deficit provision</u>		Yes, unfunded authorizations could not exceed one year's estimated transit account receipts	No provision
5. <u>Authority for repayable advances</u>		No	Yes

III. OTHER PROVISIONS

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
A. GENERATION-SKIPPING TRANSFER TAX	The Tax Reform Act of 1976 imposed a tax on generation-skipping transfers. A transitional rule exempts from the tax generation-skipping trusts created by wills or revocable trusts in existence on June 11, 1976, if (1) such wills and trusts were not amended after that date to create or increase the amount of a generation-skipping transfer, and (2) the testator or trust grantor dies before January 1, 1982. The Economic Recovery Tax Act of 1981 (ERTA) postponed the January 1, 1982, date one additional year until January 1, 1983.	No provision	The Senate amendment basically postpones the generation-skipping tax to generation-skipping trusts created after December 31, 1983. Under these rules, the tax applies to generation-skipping transfers made after December 31, 1983. A revised transitional rule exempts generation-skipping transfers which are pursuant to a trust which is irrevocable on December 31, 1983, but only to the extent that the transfer is made not out of corpus added to the trust after December 31, 1983. A special 2-year period is provided to certain trust grantors who are incompetent on December 31, 1983. (Floor amendment by Senator Symms, adopted by voice vote.)

B. STUDY OF TAX STATUS OF
CERTAIN MEMBERS OF
RELIGIOUS ORDERS

Present law exempts from the term "employment", for FICA tax purposes, service performed by a duly ordained, commissioned, or licensed minister of a church in the exercise of the ministry or by a member of a religious order in the exercise of duties required by such order. Likewise, "wages", for purposes of income tax withholding, does not include remuneration paid for similar services. However, the Internal Revenue Service generally takes the position that a member of a religious order who is instructed by the order's superiors to obtain employment with a third party is an employee of the third party, not the religious order, and must include the remuneration remitted to the order in gross income whether or not the member has taken a vow of poverty (also, the remuneration is subject to FICA and income tax withholdings).

No provision

Orders a study by the Treasury Department on the taxation of income derived from services provided members of religious orders to be submitted within 60 days after enactment. (Senate floor amendment by Senator Dixon adopted by voice vote.)

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
C. EXCLUSION FROM GROSS INCOME WITH RESPECT TO CANCELLATION OF CERTAIN STUDENT LOANS	<p>Present law excludes from gross income amounts received from the cancellation or forgiveness of certain student loans. The provision applies if the loan cancellation or forgiveness was pursuant to a provision of the loan agreement under which all or a part of the indebtedness would be discharged if the individual works for a certain period of time in certain professions in certain geographical areas or for certain classes of employers. Furthermore, this provision applies only to student loans made by the United States, or an agency or instrumentality thereof, or by a State or local government that are forgiven prior to January 1, 1983.</p>	No provision	<p>The amendment would extend the student loan cancellation provision for one additional year (i.e., to loans forgiven prior to January 1, 1984). (Floor amendment by Senator Roth, adopted by voice vote.)</p>

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
D. ENERGY CREDIT FOR CHLOR-ALKALI ELECTROLYTIC CELLS	<p>An energy investment tax credit of 10 percent is allowed for specially defined energy property. Such property includes equipment used for heat transfer or heat conservation purposes, an automatic energy control system, a combustible gas recovery system, and modifications to alumina electrolytic cells.</p> <p>In addition, the Secretary of the Treasury has the authority to add items to the list of specially defined energy property that have as their principal purpose reducing the amount of energy consumed in an existing industrial or commercial process and that are installed in connection with an existing commercial or industrial facility. The Secretary has not yet added any items to the list under the administrative discretion provided to him in this section.</p> <p>The credit for specially defined energy property generally terminates on December 31, 1982. However, for projects that take more than 2 years to construct and for which certain affirmative commitments have been made, the credits apply through 1990 (affirmative commitment rule).</p>	No provision	<p>The amendment would modify the definition of specially defined energy property to include modifications to chlor-alkali electrolytic cells.</p> <p>The credit would apply for periods beginning on January 1, 1981, and ending on December 31, 1982 (January 1, 1991, if the affirmative commitment rule applies). (Floor amendment by Senator Robert Byrd adopted by voice vote.)</p>

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
E. AFFIRMATIVE COMMITMENT RULE FOR CERTAIN ENERGY CREDITS	<p>In general, the 10-percent business energy credits expire at the end of 1982. However, certain of those credits apply through 1990 for long-term projects (i.e., projects that take at least 2 years to construct) for which affirmative commitments are made.</p> <p>To satisfy the affirmative commitment requirement, the taxpayer must (1) complete all studies and obtain all permits required under Federal, State, or local law in connection with commencement of construction of the project by January 1, 1983, and (2) enter into binding contracts for 50-percent of the estimated cost of components specially designed for the project by January 1, 1986.</p>	No provision	<p>The amendment modifies the affirmative commitment rule by extending the January 1, 1983, date required for completion of permits and studies by two years to January 1, 1985. The amendment applies only for synthetic fuels production equipment, coal conversion equipment, shale oil equipment, and related pollution control and handling equipment. (Floor amendment by Senator Domenici, adopted by voice vote.)</p>

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
F. INCOME TAX RETURN FILING REQUIREMENT FOR DEPENDENTS	In general, individuals including dependents who are children or students, must file an income tax return if they have gross income of the exemption amount (currently \$1,000) or more during the year.	No provision	The amendment provides that dependent children or students need file only if they have gross income <u>in excess of the exemption amount</u> . The amendment applies for taxable years beginning after December 31, 1981. (Floor amendment by Senator Murkowski, adopted by voice vote.)

ITEM

PRESENT LAW

HOUSE BILL

SENATE AMENDMENT

G. ALLOWANCE OF REGULATED INVESTMENT
COMPANY STATUS TO CERTAIN
SMALL BUSINESS DEVELOPMENT
COMPANIES

Under present law, a regulated investment company (commonly called a "mutual fund" or "money market fund") is treated, in essence, as a conduit for tax purposes. This treatment is achieved by allowing a regulated investment company a deduction for dividends paid to its shareholders. To qualify as a regulated investment company under the Code, a company that is an investment company under the Investment Company Act of 1940 must be registered under that Act with the Securities and Exchange Commission (Code sec. 851(a)).

Under the Small Business Incentive Act of 1980 (P.L. 96-477), certain investment companies providing capital and management assistance to small businesses (called "business development companies") may elect an alternative form of regulation in lieu of registration under the Investment Company Act. A business development company which elects this alternative form of regulation is precluded from qualifying as a regulated investment company under the Code, because the company did not register with the SEC under the Investment Company Act.

No provision

The amendment enables a business development company electing the alternative form of regulation under the Small Business Incentive Act of 1980 to qualify as a regulated investment company if the company could qualify for registration under the Investment Company Act of 1940. Thus, only companies which have at least 100 stockholders or which satisfy the public offering requirement can qualify as regulated investment companies. The amendment applies with respect to taxable years ending after the date of enactment. (Floor amendment by Senator Chafee, adopted by voice vote.)

ITEM

PRESENT LAW

HOUSE BILL

SENATE AMENDMENT

II. QUALIFYING ROLLOVER DIS-
TRIBUTION TO AN IRA

If a lump sum distribution is paid to an employee under a qualifying pension, profit-sharing or stock bonus plan, tax is deferred on the portion of the distribution rolled over within 60 days to another qualified plan or to an IRA (an individual retirement account, annuity or bond).

A distribution to an employee from a qualified plan is not a lump sum distribution unless (1) the distribution consists of the balance to the credit of the employee under the plan, and (2) the distribution is made within one taxable year of the recipient.

No provision.

Certain pension plan distributions received on December 6, 1976, and January 6 and 21, 1977, and transferred to an individual retirement account on January 21, 1977 would be treated as tax-free rollovers. (Floor amendment by Senator Helms, adopted by voice vote.)

I. . LIABILITY OF EMPLOYERS
WITHDRAWING FROM MULTI-
EMPLOYER PENSION PLANS

Under the Multiemployer Pension Plan Amendments Act of 1980 (MPPAA), an employer who withdraws from a multi-employer pension plan generally is liable for a portion of the plan's unfunded obligations determined at the time of the withdrawal. Although the provisions of MPPAA generally became effective on September 26, 1980, the date of enactment, the withdrawal liability provisions were generally made effective retroactively to withdrawals which occurred on or after April 29, 1980.

Once liability is established, payments must be made pursuant to a schedule established by the plan and must begin no later than 60 days after the date of demand.

No provision.

No payment with respect to a withdrawal liability is required before December 31, 1983, (1) by an employer who on July 30, 1980, announced its intent to cease operations as of August 8, 1980, (2) began the winding down of business, by August 8, 1980, and (3) completely terminated business by August 31, 1980.

The amendment is effective on the date of enactment.

(Floor amendment by Senator Danforth, adopted by voice vote.)

ITEM

PRESENT LAW

HOUSE BILL

SENATE AMENDMENT

J. POLICE AND FIRE
WORKER PENSIONS

Under TEFRA, the age below which the limit on the dollar amount of the annual benefit payable under a qualified defined benefit plan is reduced was changed from age 55 to age 62. Accordingly, annual benefits payable before age 62 are generally limited to the actuarial equivalent of \$90,000 payable at age 62, indexed (after 1985) for inflation. The limit for benefits payable at age 55 or later, however, is not reduced below \$75,000 (without indexing) and for benefits payable before age 55, the limit is not reduced below the equivalent of the \$75,000 limit.

No provision

For certain police and fire workers, the limit on annual benefits would be increased to the equivalent of \$90,000 (with indexing after 1985) payable at age 55. The increase would be available only to workers who have completed 20 years of service.

(Floor amendment by Senator D'Amato, adopted by voice vote.)

ITEM

PRESENT LAW

HOUSE BILL

SENATE AMENDMENT

K. CRUISE SHIP CON-
VENTION DEDUCTIONS

The Internal Revenue Code disallows any otherwise proper business expense deduction for attending a convention or similar meeting held on a cruise ship.

No provision. However, on December 16, the House passed H.R. 3191, as amended, which would allow deductions for conventions and similar meetings held on U.S. flag cruise ships, but only if (1) the cruise ship calls on ports only in the North American area (the United States, the U.S. possessions, the Trust Territory of the Pacific, Canada and Mexico), and (2) the taxpayer meets certain detailed substantiation requirements. The bill would apply to cruises beginning after December 31, 1982.

The amendment would allow deductions for conventions and similar meetings held on U.S. flag cruise ships, but only if (1) the cruise ship calls on ports only in the United States and U.S. possessions and (2) the taxpayer meets certain detailed substantiation requirements. The deduction for cruise ship conventions is limited to \$2,000 for any one taxpayer in any one year (\$1,000 in the case of a married individual filing separately). The provision would apply to taxable years beginning after December 31, 1982.

(Floor amendment by Senator Matsunaga, adopted by voice vote.)

ITEM

PRESENT LAW

HOUSE BILL

SENATE AMENDMENT

L. DELAY IN INTEREST REPORTING
EFFECTIVE DATE

Under TEFRA, expanded interest reporting requirements are effective with respect to amounts paid or treated as paid after 1982.

No provision

Under the amendment, expanded TEFRA interest reporting applies only to amounts paid or treated as paid after June 30, 1983, except that amounts paid on obligations of the payor continue to be subject to expanded TEFRA reporting requirements.

(Floor amendment by Senator Nefflin, adopted by voice vote.)

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
M. TAX-EXEMPT DIVIDENDS OF REGULATED INVESTMENT COMPANIES	<p>The Tax Reform Act of 1976 amended the rules applicable to the taxation of regulated investment companies (commonly referred to as "mutual funds" or RICs) and their shareholders to allow the pass through or conduit treatment of certain tax-exempt interest. Under those rules, if more than 50 percent of the assets of the regulated investment company are assets described in section 103(a)(1), then the portion of the dividends paid to its shareholders which are paid from interest which is exempt from tax under section 103(a)(1) is treated in the hands of the shareholder as income which is exempt from tax under section 103(a)(1).</p>	No provision	<p>The Senate provision broadens the types of obligations described in section 103(a)(1) to include obligations which are exempt from tax under other provisions of law (as of the date of enactment) and, consequently, makes these types of obligations eligible for conduit treatment for RIC purposes. In addition, the provision makes the Internal Revenue Code the exclusive place which may grant exemption from tax on interest.</p>
	<p>There are several provisions of law (other than section 103(a)(1)) which provide that interest on certain obligations is exempt from tax. Obligations described in those provisions may not qualify under section 103(a)(1) and, consequently, may not qualify for conduit treatment applicable to obligations described in section 103(a)(1).</p>		<p>(Floor amendment by Senator Heinz, adopted by voice vote.)</p>

ITEM

PRESENT LAW

HOUSE BILL

SENATE AMENDMENT

N. STUDY OF TRAVEL AND TRANSPORTATION EXPENSES OF CONSTRUCTION WORKERS

A taxpayer is allowed a deduction for traveling expenses incurred while away from home in the pursuit of a trade or business

No provision

The Treasury is directed to submit a study on the travel and transportation expenses of construction workers to the Congress by July 1, 1983. (Floor amendment by Senator Melcher, adopted by voice vote.)

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
O. Expenditures to Remove Architectural and Transportation Barriers to the Handicapped and Elderly	<p>A taxpayer may deduct in a taxable year the expenses incurred in removing a qualified architectural and transportation barrier to the handicapped and elderly. These deductions otherwise would be charged to the taxpayer's capital account.</p> <p>A qualified deduction is an expenditure to make any facility or public transportation vehicle more accessible to, and usable by, handicapped and elderly individuals. To take a qualified deduction, the taxpayer must establish that the barrier removal meets standards set by the Secretary and the Architectural and Transportation Barriers Compliance Board as prescribed in regulations.</p> <p>A handicapped individual means an individual who has a mental or physical disability (including blindness or deafness) which (1) constitutes a functional limitation to employment or (2) substantially limits one or more major life activities of the individual.</p> <p>The deduction may not exceed \$25,000 for any taxable year.</p> <p>The provision expires after December 31, 1982.</p>	No provision	The expiration date is extended for one year through December 31, 1983

P. Effect of Sale in
Bankruptcy of Aircraft
Subject to Safe-Harbor
Lease

In general, the regular investment credit applies to tangible personal property and other tangible property (generally not including a building or structural component) used in connection with manufacturing, production or certain other activities. Property used predominantly outside the United States generally is not eligible.

No provision.

For aircraft covered by the safe-harbor lease transitional rules, the Senate amendment provides that no recapture will be required upon sale of the aircraft in bankruptcy to a person who uses the property predominantly outside the United States if the other requirements of the bankruptcy rule (other than the prohibition against foreign use) are met.

Recapture of investment credit is required if the property either is disposed of or ceases to be used for a qualifying purpose prior to the end of the recovery period used for computing ACRS deductions. For example, recapture is required if 5-year recovery property is used predominantly outside the United States before the end of the 5-year recovery period.

The general rule requiring recapture upon sale of property does not apply when property subject to a safe-harbor lease is sold as a result of the bankruptcy of the lessee, if certain requirements are met (bankruptcy rule). Among the requirements that must be met is a requirement that the person who purchases the property use the property predominantly within the United States.

The safe-harbor lease rules were modified by the Tax Equity and Fiscal Responsibility Act of 1982. Those modifications do not affect either the general recapture rule or the special bankruptcy rule. The modifications do not apply to transitional safe-harbor lease property, including certain aircraft.

*Revised as of 12-21-82.

<u>ITEM</u>	<u>PRESENT LAW</u>	<u>HOUSE BILL</u>	<u>SENATE AMENDMENT</u>
Q. Normalization Method for Public Utility Property	Under present law, normalization generally requires that tax benefits attributable to the investment tax credit, accelerated depreciation and accelerated cost recovery be taken into account for ratemaking purposes over the service life of the asset that generates the tax benefits.	No provision under H.R. 6211. However, H.R. 1524 as passed by the House contains the following provisions: 1) more specific normalization rules, and 2) special transition rules to preclude the loss of eligibility for these investment incentives with respect to rate orders entered into prior to March 13, 1980 affecting three California utilities (Pacific Telephone and Telegraph Company, General Telephone Company of California, and Southern California Gas Company).	The Senate amendment generally follows the provisions in H.R. 1524 but modifies the special transition rules in the following manner: 1) tax benefits are recaptured (over a 2-year period) to the extent flowed through too rapidly to consumers, 2) the relief is contingent upon closing agreements with the IRS, and 3) no interest is payable on refunds.
		<u>Revenue Effect</u>	<u>Revenue Effect</u>
		Reduces budget receipts by approximately \$117 million for fiscal year 1983 and by \$2,083 million for fiscal years after 1987.	Increases budget receipts by \$147 million each year for fiscal years 1983 and 1984, and decreases budget receipts by \$2,083 million for fiscal years after 1987.

IV. MISCELLANEOUS PROVISIONS

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
A. SOCIAL SECURITY ACT PROVISIONS	<p>In the welfare programs of SSI and AFDC, the monthly payment to each recipient is determined by subtracting that person's other income from a specified assistance standard. The AFDC and SSI statutes specify certain limited types of income which are not to be counted in making these determinations. Otherwise, all income serves to reduce the assistance payment. (In the case of SSI, in-kind income is explicitly included in the definition of income.)</p>	No provision	<p>The amendment would add to the items which are not counted as income certain types of assistance provided to help AFDC and SSI recipients meet their energy needs. Any such assistance in cash or kind would be excluded from income if it is based on the need for assistance with home energy costs and is furnished by a home heating oil or gas supplier or by a utility company (including a municipal utility) which provides home energy. Assistance of this type provided by a non-profit organization would also be excluded from income but only if it is in-kind assistance. In the case of the AFDC program, the exclusion provided by the amendment would be optional with each State. The amendment would apply to assistance provided from the month after enactment through June 1985. Prior to April 1985, the Secretary of Health and Human Services would be required to report on the implementation of the amendment.</p>

ITEM	PRESENT LAW	HOUSE BILL	SENATE AMENDMENT
B. UNEMPLOYMENT COMPENSATION	<p>Public Law 97-248 established a temporary program of Federal Supplemental Compensation expiring March 31, 1983. This program is funded from general revenues and provides additional weeks of unemployment benefits to people who have used up their eligibility for regular State benefits (and for extended benefits in those 14 States where extended benefits are paid). The number of weeks payable is:</p> <ul style="list-style-type: none">10 weeks in States where the extended benefit program was in effect at any time since June 1, 1982;8 weeks in other States if those States have an insured unemployment rate of 3.5% or higher;6 weeks in all other States.	No provision	<p>The Senate amendment modifies the number of weeks payable under the Federal Supplemental Compensation program as follows:</p> <ul style="list-style-type: none">16 weeks are payable in States with an insured unemployment rate of 6% or more;14 weeks are payable in States with less than 6% insured unemployment if the State was eligible for extended benefits at any time between June 1, 1982 and enactment;12 weeks are payable in States where the insured unemployment rate is below 6% but at least 4.5% or if the State becomes eligible for extended benefits after enactment;10 weeks are payable in States where the insured unemployment rate is below 4.5% but not below 3.5%;8 weeks are payable in all other States.

Table 1

Estimated Changes in Highway Trust Fund Revenues Under H.R. 6211
As Passed by the House Compared to Receipts at Current Tax Rates
Extended Through 1988

(Fiscal Years 1983-1988)

<u>Tax</u>	<u>1983</u>	<u>1984</u>	<u>1985</u> (Million Dollars)	<u>1986</u>	<u>1987</u>	<u>1988</u>
Gasoline	2,280	4,726	4,665	4,617	4,611	4,654
Diesel	341	803	861	919	984	1,057
Trucks and trailers	-158	--	35	61	74	79
Truck parts	-178	-282	-308	-336	-364	-395
Tires	--	-364	-525	-556	-577	-601
Tubes	--	-17	-22	-22	-22	-22
Tread rubber	--	22	33	33	33	33
Lubricating oil	-60	-86	-80	-80	-80	-80
Use tax	<u>-67</u>	<u>616</u>	<u>813</u>	<u>898</u>	<u>949</u>	<u>989</u>
Total Tax Revenues	<u>2,150</u>	<u>5,418</u>	<u>5,472</u>	<u>5,534</u>	<u>5,608</u>	<u>5,714</u>
Net revenue effect on budget receipts after income offsets	1,625	4,087	4,264	4,175	4,232	4,311

Estimated Changes in Highway Trust Fund Revenues Under H.R. 6211
As Passed by the Senate Compared to Receipts at Current Tax Rates
Extended Through 1989

(Fiscal Years, 1983-1989)

<u>Tax</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>
Gasoline	2,211	4,442	4,292	4,151	4,100	4,132	4,164
Diesel	341	803	861	919	984	1,057	1,131
Trucks and trailers	-160	-3	32	58	71	76	82
Truck parts	46	71	77	84	91	99	106
Tires	1	-1	-1	-1	--	-1	-1
Tubes	--	--	--	--	--	--	--
Tread rubber	2	4	4	4	4	4	4
Lubricating oil	*	1	1	1	1	1	1
Use tax	<u>-67</u>	<u>54</u>	<u>159</u>	<u>260</u>	<u>297</u>	<u>316</u>	<u>328</u>
Total Tax Revenues	<u>2,374</u>	<u>5,371</u>	<u>5,425</u>	<u>5,476</u>	<u>5,548</u>	<u>5,684</u>	<u>5,820</u>
Net revenue effect on budget receipts after income offsets	1,776	4,053	4,093	4,130	4,186	4,280	4,390

*Negligible

Note: Revenues are net of refunds and transfers.

Table 3. (Revised)

Comparison of Changes¹ in Highway Trust Fund Revenue
Under the House Bill and Under the Senate Amendment

(Fiscal Years, 1983-1988)

<u>Tax</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
	(Million Dollars)					
Gasoline						
House bill	2,280	4,726	4,665	4,617	4,611	4,654
Senate amendment	<u>2,211</u>	<u>4,442</u>	<u>4,292</u>	<u>4,151</u>	<u>4,100</u>	<u>4,132</u>
Difference	+69	+284	+373	+466	+511	+522
Diesel						
House bill	341	803	861	919	984	1,057
Senate amendment	<u>341</u>	<u>803</u>	<u>861</u>	<u>919</u>	<u>984</u>	<u>1,057</u>
Difference	--	--	--	--	--	--
Trucks and trailers						
House bill	-158	--	35	61	74	79
Senate amendment	<u>-160</u>	<u>-3</u>	<u>+32</u>	<u>+58</u>	<u>+71</u>	<u>+76</u>
Difference	2	3	3	3	3	3
Truck parts						
House bill	-178	-282	-308	-336	-364	-395
Senate amendment	<u>46</u>	<u>71</u>	<u>77</u>	<u>84</u>	<u>91</u>	<u>99</u>
Difference	-224	-353	-305	-420	-455	-494
Tires						
House bill	--	-364	-525	-556	-577	-601
Senate amendment	<u>-1</u>	<u>-1</u>	<u>-1</u>	<u>-1</u>	<u>-0-</u>	<u>-1</u>
Difference	-1	-363	-524	-555	-577	-600

Table 3. Continued (Revised)

Tubes						
House bill	--	-17	-22	-22	-22	-22
Senate amendment	--	--	--	--	--	--
Difference	--	-17	-22	-22	-22	-22
Tread rubber						
House bill	--	22	33	33	33	33
Senate amendment	9	4	4	4	4	4
Difference	-2	18	29	29	29	29
Lubricating oil						
House bill	-68	-86	-80	-80	-80	-80
Senate amendment	--	1	1	1	1	1
Difference	-68	-87	-81	-81	-81	-81
Use tax on heavy vehicles						
House bill	-67	616	813	898	949	989
Senate amendment	-67	54	159	260	297	316
Difference	--	562	654	630	652	673
Total tax revenues						
House bill	2,150	5,418	5,472	5,534	5,608	5,714
Senate amendment	<u>2,374</u>	<u>5,371</u>	<u>5,425</u>	<u>5,476</u>	<u>5,548</u>	<u>5,684</u>
Difference	-224	+47	+47	+58	+60	+30

¹ The changes are compared to receipts under current tax rates extended.

Table 4. OTHER AMENDMENTS TO H.R. 6211 AS PASSED BY THE SENATE

Item	(Fiscal Years: Millions of Dollars)					
	1983	1984	1985	1986	1987	1988
Motor Carrier Operating Rights	1/	1/	1/	1/	1/	1/
Generation Skipping Transfer Tax	1/	-10	-20	-20	-20	-25
Student Loans Exclusion	--	--	--	--	--	--
Energy Credit for Chlor-Alkali Electrolytic Cell Modifications	-5	-4	-4	-4	-3	1/
Affirmative Commitment Rule for Certain Energy Credits	-1	-5	-12	-25	-53	-87
Allowance of Regulated Investment Company Status to Certain Small Business Development Companies	--	--	--	--	--	--
Qualifying Rollover Distribution to an IRA	1/	--	--	--	--	--
Liability of Employers Withdrawing From Multiemployer Pension Plans	--	--	--	--	--	--
Police & Fire Worker Pensions	1/	1/	1/	1/	1/	1/
Cruise Ship Convention Deductions	1/	1/	1/	1/	1/	1/
Delay in Interest Reporting Effective Date	-70	-129	--	--	--	--
Tax-Exempt Dividends of Regulated Investment Companies	-61	--	--	--	--	--
One-year extension for deduction to remove architectural and transportation barriers to the handicapped and elderly	-7	-8	1/	1/	1/	1/
Normalization method provision for public utility property	148	147	--	--	--	--
Leasing bankruptcy rule	1/	1/	1/	1/	1/	1/

1/ Less than \$5 million.

