Tax Provisions Included in the Senate Amendment to H.R. 5140

February 7, 2008

Tax Rebate for Working Families. The package would provide lower-income and middle-income working families with a tax rebate in an amount equal to the lesser of their net income tax liability or $600 ($1,200 in the case of married couples filing a joint return). In the case of taxpayers with qualifying income (defined as earned income, Social Security benefits, disabled veteran benefits and benefits for widows of disabled veterans) of at least $3,000 and taxpayers with positive income tax liability, this tax rebate will not be less than $300 ($600 in the case of married couples filing a joint return). The amount of the tax rebate will be increased by $300 for each child under the age of 17. These rebates will be subject to a phase-out for taxpayers with adjusted gross income in excess of $75,000 ($150,000 for married couples filing jointly). Residents of possessions of the United States will receive similar rebates. Social security numbers will need to be provided on the tax return for the individual (both spouses if filing a joint return) claiming the tax rebate and each child claimed for the additional rebate.

Temporary Enhanced Small Business Expensing. In order to help small businesses quickly recover the cost of certain capital expenses, small business taxpayers may elect to write-off the cost of these expenses in the year of acquisition in lieu of recovering these costs over time through depreciation. Until the end of 2010, small business taxpayers are allowed to write-off up to $125,000 (indexed for inflation) of capital expenditures subject to a phase-out once capital expenditures exceed $500,000 (indexed for inflation). The package would double the amount that small business taxpayers may write-off to $250,000 for capital expenditures incurred in 2008 and would increase the phase-out threshold to $800,000 in 2008.

Temporary Bonus Depreciation. The package would allow businesses to quickly recover the costs of capital expenditures made in 2008 by allowing these businesses to write-off fifty percent of the cost of depreciable property (e.g., equipment, tractors, computers) acquired in 2008. In subsequent years, businesses will continue to depreciate the remaining cost of depreciable property under the current law-depreciation schedule.

Prepared by Staff
Committee on Ways and Means
The Honorable Charles B. Rangel, Chairman
February 7, 2008