

**FINANCE COMMITTEE REPUBLICAN TAX STAFF SUMMARY
OF MCCONNELL, GRASSLEY, KYL AND HATCH SUBSTITUTE
AMENDMENT TO S. 3098 THE TAX EXTENDERS AND
ALTERNATIVE MINIMUM TAX RELIEF ACT OF 2008
("TEAMTRA")**

ALTERNATIVE MINIMUM TAX RELIEF

Extension of alternative minimum tax relief for nonrefundable personal credits; Extension of increased alternative minimum tax exemption amount. Certain nonrefundable personal credits (including dependent care, elderly and disabled, Hope Scholarship and Lifetime Learning, and the D.C. homebuyer) are allowed only to the extent that a taxpayer has regular income tax liability in excess of the tentative minimum tax, which has the effect of disallowing these credits against AMT. Temporary provisions have been enacted which permit these credits to offset the entire regular and AMT liability through the end of 2007. The proposal would allow the nonrefundable personal tax credits to the full extent of the individual's regular tax and alternative minimum tax through 2008. Currently, a taxpayer receives an exemption of \$33,750 (individuals) and \$45,000 (married filing jointly) under the AMT. Current law also does not allow personal credits against the AMT. At the end of last year, H.R. 3996 increased the exemptions to \$44,350 and \$66,250, respectively, and allowed the personal credits against the AMT to hold the number of taxpayers subject to the AMT at bay. The provision expired December 31, 2007. The proposal increases the exemption amounts to \$46,200 (individuals) and \$69,950 (married filing jointly) for 2008. The proposal will also allow the personal credits against the AMT. *The estimated revenue loss of this proposal is \$61.522 billion over ten years.*

Increase of AMT refundable credit amount for individuals with long-term unused credits for prior year minimum tax liability, etc. Many companies offer Incentive Stock Options (ISOs) as compensation. Under the regular tax, ISOs are not taxed upon exercise. Under the AMT, however, a taxpayer must pay tax on the stock value when the option is exercised. The economic downturn in 2000 resulted in many individuals having to pay tax on "phantom income" because the stock prices dropped dramatically since the date of exercise. In 2006, Congress provided relief for these situations, but additional relief is needed to correct this problem. Under current law, an individual is allowed a refundable AMT credit amount that is the greater of (1) the lesser of \$5,000 or the unused AMT credit amount or (2) 20 percent of the unused AMT tax credit. The AMT credit amount is reduced for those with adjusted gross income (AGI) above \$150,000 (joint filers) and \$100,000 (single filers). The proposal would allow 50% of long-term unused minimum tax credits to be refunded over each of two years instead of 20% over each of five years, eliminate the income phase-out, and abate any underpayment of tax outstanding on the date of enactment related to incentive stock options and the AMT including interest. *The estimated revenue loss of eliminating the income phase-out is \$966 million over ten years and for the incentive stock option proposal is \$1.325 billion over ten years. The total estimated revenue loss of this proposal is \$2.291 billion over ten years.*

EXTENSION OF INDIVIDUAL TAX PROVISIONS

Deduction for State and local sales taxes. The American Jobs Creation Act (AJCA) provided that a taxpayer may elect to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction. The provision expired on December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal is effective for tax years beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$4.369 billion over ten years.*

Deduction of qualified tuition and related expenses. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) created an above-the-line tax deduction for qualified higher education expenses. The maximum deduction was \$4,000 for taxpayers with AGI of \$65,000 or less (\$130,000 for joint returns) or \$2,000 for taxpayers with AGI of \$80,000 or less (\$160,000 for joint returns). This deduction expired on December 31, 2007. The proposal would extend the deduction to the end of 2009. The proposal is effective for tax years beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$3.953 billion over ten years.*

Deduction for certain expenses of elementary and secondary school teachers. The bill extends the provision allowing teachers an above-the-line deduction for up to \$250 for educational expenses. The provision expired on December 31, 2007. The proposal extends the deduction to the end of 2009. The proposal is effective for taxable years beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$397 million over ten years.*

Tax-free distributions from individual retirement plans for charitable purposes. The Pension Protection Act of 2006 (PPA) created a provision allowing taxpayers to make tax-free contributions from their IRA plans to qualified charitable organizations. This tax benefit expired on December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal is effective for distributions after December 31, 2007. *The estimated revenue loss of this proposal is \$795 million over ten years.*

Treatment of certain dividends of regulated investment companies. The bill extends a provision allowing a regulated investment company (RIC), which is generally a mutual fund, under certain circumstances, to designate all or a portion of a dividend as an “interest-related dividend,” by written notice mailed to its shareholders not later than 60 days after the close of its taxable year. In addition, an interest-related dividend received by a foreign person generally is exempt from U.S. gross-basis tax under sections 871, 881, 1441 and 1442 of the Code. The proposal extends the treatment of interest-related dividends and short-term capital gain dividends received by a RIC to taxable years of the RIC beginning before January 1, 2010. The proposal is effective for dividends with respect to taxable years of RICs beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$144 million over ten years.*

Stock in RIC for purposes of determining estates of nonresidents not citizens. Although stock issued by a domestic corporation generally is treated as property within the United States, stock of a regulated investment company (RIC), which is generally a mutual fund, that was owned by a nonresident non-citizen is not deemed property within the United States in the proportion that, at the end of the quarter of the RIC’s taxable year immediately before a decedent’s date of death, the assets held by the RIC are debt obligations, deposits, or other property that would be treated as situated outside the

United States if held directly by the estate (the “estate tax look-through rule for RIC stock”). This estate tax look-through rule for RIC stock does not apply to estates of decedents dying after December 31, 2007. The proposal permits the estate tax look-through rule for RIC stock to apply to estates of decedents dying before January 1, 2010. The proposal is effective for decedents dying after December 31, 2007. *This proposal has a negligible revenue effect.*

Qualified investment entities. The proposal would extend the inclusion of a regulated investment company (RIC), which is generally a mutual fund, within the definition of a “qualified investment entity” under section 897 of the Code through December 31, 2009, for those situations in which that inclusion otherwise expired at the end of 2007. The proposal is effective on January 1, 2008. *The estimated revenue loss of this proposal is \$20 million over ten years.*

EXTENSION OF BUSINESS TAX PROVISIONS

Extension and modification of research credit. The bill would extend the research tax credit equal to 20 percent of the amount by which a taxpayer’s qualified research expenses for a taxable year exceed its base amount for that year. The provision expired December 31, 2007. The proposal would extend current law to the end of 2009, increase the alternative simplified credit from 12% to 14%, and repeal the alternative incremental research credit. The proposal is effective for amounts paid or incurred after December 31, 2007. *The estimated revenue loss of this proposal is \$21.543 billion over ten years.*

New markets tax credit. Current law provides a credit for taxpayers who hold a qualified equity investment on a credit allowance date. The provision expires December 31, 2008. The proposal would extend the provision to the end of 2009. The proposal is effective for investments made after December 31, 2008. *The estimated revenue loss of this proposal is \$1.315 billion over ten years.*

Subpart F exception for active financing income. The U.S. parent of a foreign subsidiary engaged in a banking, financing, or similar business is eligible for deferral of tax on such subsidiary’s earnings if the subsidiary is predominantly engaged in such business and conducts substantial activity with respect to such business. The subsidiary must pass an entity level income test to demonstrate that the income is active income and not passive income. The provision expires December 31, 2008. The proposal would extend the provision to the end of 2009. The proposal is effective for tax years beginning after December 31, 2008. *The estimated revenue loss of this proposal is \$3.97 billion over ten years.*

Extension of look-thru rule for related controlled foreign corporations. The bill allows deferral for certain payments (interest, dividends, rents and royalties) between commonly controlled foreign corporations (CFC). This provision allows U.S. taxpayers to deploy capital from one CFC to another without triggering U.S. tax. The provision expires December 31, 2008. The proposal extends present law to the end of 2009. The proposal is effective for tax years beginning after December 31, 2008. *The estimated revenue loss of this proposal is \$611 million over ten years.*

Extension of 15-year straight-line cost recovery for qualified leasehold

improvements and qualified restaurant improvements; 15-year straight-line cost recovery for certain improvements to retail space. In the American Jobs Creation Act (AJCA), Congress shortened the cost recovery of certain leasehold improvements and restaurant property from 39 to 15 years. This shortened cost recovery period expired December 31, 2007. The proposal would extend the provision to the end of 2009 and allow retail owners and new restaurants to receive the shortened recovery period. The extension is effective for property placed in service after December 31, 2007. The allowance of the 15 year depreciation to retail and new restaurants is effective for property placed in service after the date of enactment through the end of 2009. *The estimated revenue loss of the extension of 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements is \$9.388 billion over ten years. Estimate pending for the provision providing 15-year straight-line cost recovery for certain improvements to retail space.*

Enhanced charitable deduction for contributions of food inventory. The bill would extend for two years, through 2009, the provision allowing businesses to claim an enhanced deduction for the contribution of food inventory. The proposal is effective for contributions made after December 31, 2007. *The estimated revenue loss of this proposal is \$137 million over ten years.*

Extension of enhanced charitable deduction for contributions of book inventory. The bill would extend a provision allowing C corporations an enhanced charitable deduction for donations of books to schools, public libraries and literacy programs. This provision expired after December 31, 2007. The proposal extends the provision to the end of 2009. The proposal is effective for contributions made after December 31, 2007. *The estimated revenue loss of this proposal is \$57 million over ten years.*

Modification of tax treatment of certain payments to controlling exempt organizations. In general, interest, rent, royalties, and annuities paid to a tax-exempt organization from a controlled entity are treated as unrelated business income of tax-exempt organizations. The Pension Protection Act (PPA) provided that if a payment to a tax-exempt organization by a controlled entity is less than fair market value, then the payment is excludable from the tax-exempt organization's unrelated business income. The provision expired on December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal is effective for payments received or accrued after December 31, 2007. *The estimated revenue loss of this proposal is \$50 million over ten years.*

Basis adjustment to stock of S corporations making charitable contributions of property. Prior to the Pension Protection Act (PPA), if an S corporation made a contribution to a charity, shareholders reduced the basis in their stock by their pro rata share of the fair market value of the contribution. The PPA provided the amount of a shareholder's basis reduction in the S corporation stock will be equal to the shareholder's pro rata share of the adjusted basis of the contributed property. The provision expired December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal would also make a technical correction clarifying the application of this provision. The proposal is effective for tax years beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$134 million over ten years.*

Increase in limit on cover over of rum excise tax to Puerto Rico and the Virgin Islands. The present law imposes a \$13.50 per proof gallon excise tax on distilled spirits produced in or imported into the United States. The Code provides a payment to Puerto Rico and the Virgin Islands of the excise tax on rum imported into the United States. The payment is limited to \$10.50 per proof gallon. This was increased to \$13.25 per proof gallon during the period July 1, 1999 through December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal is effective for articles brought into the United States after December 31, 2007. *The estimated revenue loss of this proposal is \$192 million over ten years.*

Extension of economic development credit for American Samoa. Certain domestic corporations operating in American Samoa were eligible for a possessions tax credit, which offset their U.S. tax liability on income earned in American Samoa from active business operations, sales of assets used in a business, or certain investments in American Samoa. Further, the credit was held to an economic activity-based limit, measuring the credit against wages, depreciation, and American Samoa income taxes. The provision expired December 31, 2007. The proposal extends the provision to the end of 2009. The proposal is effective for tax years beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$33 million over ten years.*

Extension of mine rescue team training credit. Present law provides a credit of up to \$10,000 for the training of mine rescue team members. The provision expires on December 31, 2008. The proposal extends present law to the end of 2009. *The estimated revenue loss of the proposal is \$4 million over ten years.*

Extension of election to expense advanced mine safety equipment. Present law provides 50% immediate expensing for qualified underground mine safety equipment (that goes above and beyond current safety equipment requirements), including: (1) communications technology enabling miners to remain in constant contact with an individual above ground; (2) electronic tracking devices that enable an individual above ground to locate miners in the mine at all times; (3) self-contained self-rescue emergency breathing apparatuses carried by the miners and additional oxygen supplies stored in the mine; and (4) mine atmospheric monitoring equipment to measure levels of carbon monoxide, methane, and oxygen in the mine. This provision will encourage mining companies to invest in safety equipment that goes above and beyond current safety equipment requirements. The provision expires December 31, 2008. The proposal would extend present law to the end of 2009. *The estimated revenue loss of the proposal over 10 years is \$153 million.*

Extension of expensing rules for qualified film and television productions. Under current law, a producer can elect to take a single-year deduction of up to \$15 million in production costs incurred in the U.S. If the production costs are over \$15 million, this deduction does not apply. The maximum deduction is increased to \$20 million if the costs are significantly incurred in economically depressed areas. No other depreciation or amortization is allowed for a production for which this deduction is taken. The provision expires December 31, 2008. The proposal would extend the provision to the end of 2009. The proposal is effective for qualified film and television productions

commencing after December 31, 2008. *The estimated revenue loss of this proposal is \$10 million over ten years.*

Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico. The bill extends a provision allowing a section 199 domestic production activities deduction for activities in Puerto Rico. This provision expired on December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal is effective for tax years beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$243 million over ten years.*

Extension of qualified zone academy bonds. Qualified Zone Activity Bonds (QZABs) help school districts with low-income populations save on interest costs associated with public financing school (below the post-secondary level) renovations and repairs. QZABs cannot be used for new construction but can be used for the following activities: renovating and repairing buildings, investing in equipment and up-to-date technology, developing challenging curricula, and training quality teachers. The QZAB provision expired on December 31, 2007. The proposal would extend this provision to the end of 2009. The proposal is effective for obligations issued after December 31, 2007. *The estimated revenue loss of this proposal is \$337 million over ten years.*

Indian employment credit. The bill allows a business tax credit for employers of qualified employees that work and live on or near an Indian reservation. The credit is for wages and health insurance costs paid to qualified employees (up to \$20,000) in the current year over the amount paid in 1993. Wages for which the Work Opportunity Tax Credit is available are not qualified wages for the Indian employment tax credit. This provision expired on December 31, 2007. The proposal would extend the provision to the end of 2009. The proposal is effective for taxable years beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$119 million over ten years.*

Accelerated depreciation for business property on Indian reservation. A special depreciation recovery period applies to qualified Indian reservation property placed in service before January 1, 2008. In general, qualified Indian reservation property is property used predominantly in the active conduct of a trade or business within an Indian reservation, which is not used outside the reservation on a regular basis and was not acquired from a related person. This proposal would extend the placed-in-service date for the special depreciation recovery period for qualified Indian reservation property to the end of 2009. The proposal is effective for property placed in service after December 31, 2007. *The estimated revenue loss of this proposal is \$295 million over ten years.*

Railroad track maintenance. The railroad maintenance credit provides Class II and Class III railroads (short-line railroads) with a tax credit equal to 50% of gross expenditures for maintaining railroad tracks that they own or lease. The credit expired on December 31, 2007. The proposal extends the provision to the end of 2009, and allows the credit against the AMT. The proposal is effective for expenses paid or incurred during the taxable year beginning after December 31, 2007. *The estimated revenue loss of this proposal is \$331 million over ten years.*

Seven-year cost recovery period for motorsports racing track facility. The bill extends a special 7-year cost recovery period for property used for land improvement and support facilities at motorsports entertainment complexes. Absent this provision, the cost recovery period for these facilities would be 15 years. The provision expired on December 31, 2007. This proposal extends the provision to the end of 2009. The proposal is effective for property placed in service after December 31, 2007. *The estimated revenue loss of this proposal is \$128 million over ten years.*

Expensing of environmental remediation costs. The bill extends a provision allowing for the expensing of costs associated with cleaning up hazardous sites. The provision expired on December 31, 2007. This proposal extends present law to the end of 2009. The proposal is effective for property placed in service after December 31, 2007. *The estimated revenue loss of this proposal is \$201 million over ten years.*

Extension of work opportunity tax credit for Hurricane Katrina employees. The proposal extends through August 28, 2009 the work opportunity tax credit for certain Hurricane Katrina employees employed within the core disaster area. The proposal is effective on August 28, 2007. *The estimated revenue loss of this proposal is \$29 million over ten years.*

Extension of increased rehabilitation credit for structures in the Gulf Opportunity Zone. The Gulf Opportunity Zone Act of 2005 increased the rehabilitation credit, within the Gulf Opportunity Zone, from 10 percent to 13 percent of qualified expenditures for any qualified rehabilitated building other than a certified historic structure. It also increased the credit from 20 percent to 26 percent of qualified expenditures for any certified historic structure. This provision is currently set to expire at the end of 2008. This proposal would extend the provision through December 31, 2010. *Estimate pending.*

EXTENSION OF TAX ADMINISTRATION PROVISIONS

Permanent authority for undercover operations. IRS's authorization to use proceeds it receives from undercover operations to offset necessary expenses incurred in such operations expires on December 31, 2007. Undercover operations are an integral part of IRS efforts to detect and prove noncompliance. The temporary status of this provision creates uncertainty as the IRS plans its undercover efforts from year to year. The proposal permanently authorizes the IRS to return funds collected through undercover operations back into the IRS undercover program. The proposal is effective on the date of enactment. *The proposal raises less than \$500,000 over ten years.*

Permanent disclosures of certain tax return information. The bill would make permanent the provision that permits the IRS to disclose information to state agencies for the purpose of developing a combined employment tax reporting program. The proposal is effective for disclosures after December 31, 2007. *This proposal is estimated to have no revenue effect.*

Disclosure of information relating to terrorist activities. The bill would make permanent the current-law terrorist activity provisions. The proposal is effective for disclosures after December 31, 2007. *This proposal is estimated to have no revenue effect.*

EXTENSION OF CLEAN ENERGY PRODUCTION INCENTIVES

Extension and Modification of Renewable Energy Production Tax Credit. Identical to the Ensign-Cantwell Energy bill, this bill extends the placed-in-service date for one year (through December 31, 2009). The bill also includes a new category of qualifying facilities that generate electricity from marine renewables (e.g., waves and tides). The bill clarifies the availability of the credit with respect to certain sales of electricity to regulated public utilities, and updates the definition of an open-loop biomass facility, the definition of a trash combustion facility, and the definition of a non-hydroelectric dam. *The estimated revenue loss of this proposal is \$3.652 billion over ten years.*

Extension and Modification of Solar Energy and Fuel Cell Investment Tax Credit. The bill extends the 30% investment tax credit for solar energy property and qualified fuel cell property and the 10% investment tax credit for microturbines for eight years (through 2016). It also repeals the \$500 per half kilowatt of capacity cap for qualified fuel cells. The bill removes an existing limitation that prevents public utilities from claiming the investment tax credit. The bill also allows these credits to be used to offset the alternative minimum tax (AMT). *The estimated revenue loss of this proposal is \$1.774 billion over 10 years.*

Extension and Modification of the Residential Energy-Efficient Property Credit. The bill extends the credit for residential solar property for one year (through December 31, 2009), and repeals the annual credit cap (currently \$2,000). The bill also allows the credit to be used to offset the AMT. *The estimated revenue loss of this proposal is \$126 million over ten years.*

New Clean Renewable Energy Bonds (“CREBs”). The bill authorizes \$400 million of new clean renewable energy bonds to finance facilities that generate electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, qualified hydropower, landfill gas, marine renewable and trash combustion facilities. This \$400 million authorization is subdivided, 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. *The estimated revenue loss of this proposal is \$206 million over 10 years.*

Sales of Electric Transmission Property. The bill extends the present-law deferral of gain on sales of transmission property by vertically integrated electric utilities to FERC-approved independent transmission companies. Rather than recognizing the full amount of gain in the year of sale, this provision allows gain on such sales to be recognized ratably over an 8-year period. The rule applies to sales before January 1, 2010. *This proposal is revenue neutral over 10 years.*

EXTENSION OF INCENTIVES TO IMPROVE ENERGY EFFICIENCY

Extension and modification of credit for energy efficiency improvements to existing homes. The bill extends the tax credits for energy-efficient existing homes for two years (from December 31, 2007 through December 31, 2009) and includes energy-efficient biomass fuel stoves as a new class of energy-efficient property eligible for a consumer tax credit of \$300. *The estimated revenue loss of this proposal is \$1.819 billion over 10 years.*

Extension and modification of tax credit for energy efficient new homes. The bill extends the energy efficient new homes credit for two years (through December 31, 2010), and permits the eligible contractor to claim the credit on a home built for personal use as a residence. *The estimated revenue loss of this proposal is \$102 million over 10 years.*

Extension and modification of energy efficient commercial buildings deduction. Modification and extension of energy efficient appliance credit for appliances produced after 2007. The bill extends the energy-efficient commercial buildings deduction for one year (through December 31, 2009), increases the maximum deduction to \$2.25 per square foot, and allows a partial deduction of \$0.75 per square foot for building systems. *The estimated revenue loss of this proposal is \$242 million over 10 years.* The bill would modify the existing energy-efficient appliance credit and extend this credit for three years (through the end of 2010). *The estimated revenue loss of this proposal is \$323 million over 10 years.*

CARBON MITIGATION PROVISIONS

Expansion and modification of advanced coal project investment credit and coal gasification investment credit. The bill would provide \$1.5 billion of tax credits for the creation of advanced coal electricity projects and certain coal gasification projects that demonstrate the greatest potential for carbon capture and sequestration (CCS) technology. Of these \$1.5 billion of incentives, \$1.25 billion would be awarded to advanced coal electricity projects and \$250 million would be awarded to certain coal gasification projects. These tax credits would be awarded by Treasury through an application process, with applicants demonstrating the greatest CO₂ sequestration percentage receiving the highest priority. Also, additional priority will be given to research partnerships with eligible educational institutions. Applications will not be considered unless they can demonstrate that either their advanced coal electricity project would capture and sequester at least 65% of the facility's CO₂ emissions or that their coal gasification project would capture and sequester at least 75% of the facility's CO₂ emissions. Once these credits are awarded, recipients failing to meet these minimum levels of carbon capture and sequestration would forfeit these tax credits. *The estimated revenue loss of this proposal is \$1.423 billion over 10 years.*

Temporary increase in coal excise tax. The bill would extend the coal excise tax. Under current law, an excise tax is imposed on coal at a rate of \$1.10 per ton for coal from underground mines and \$0.55 per ton for coal from surface mines (the aggregate tax per ton capped at 4.4 percent of the amount sold by the producer). Receipts from this tax are deposited in the Black Lung Disability Trust Fund, which is used to pay compensation, medical and survivor benefits to eligible miners and their survivors and to cover costs of program administration. The Trust Fund is permitted to borrow from the general fund any amounts necessary to make authorized expenditures if excise tax receipts do not provide sufficient funding. Reduced rates of excise tax apply after the earlier of December 31, 2013 or the date on which the Black Lung Disability Trust Fund has repaid, with interest, all amounts borrowed from the general fund of the Treasury. The bill extends the excise tax until December 31, 2018 or until the repayment. After repayment, the reduced excise tax rates of \$0.50 per ton for coal from underground mines

and \$0.25 per ton for coal from surface mines would apply (aggregate tax per ton capped at 2 percent of the amount sold by the producer). *The proposal is estimated to raise \$1.287 billion over 10 years.*

Special rules for refund of the coal excise tax to certain coal producers and exporters. The Courts have determined that the Export Clause of the U.S. Constitution prevents the imposition of the coal excise tax on exported coal and, therefore, taxes collected on such exported coal are subject to a claim for refund. The bill would create a new procedure under which certain coal producers and exporters may claim a refund of these excise taxes that were imposed on coal exported from the United States. Under this procedure, coal producers or exporters that exported coal during the period beginning on or after October 1, 1990 and ending on or before the date of enactment of the bill, may obtain a refund (plus interest) from the Treasury of excise taxes paid on such exported coal and any interest accrued from the date of overpayment. *The estimated revenue loss of this proposal is \$199 million over 10 years.*

TRANSPORTATION AND FUEL PROVISIONS

Inclusion of cellulosic biofuel in bonus depreciation for biomass ethanol plant property. Under current law, taxpayers are allowed to immediately write off 50% of the cost of facilities that produce cellulosic ethanol if such facilities are placed in service before January 1, 2013. The provision is clarified to be technology neutral and would allow the bonus depreciation to be available for the production of other cellulosic biofuels in addition to cellulosic ethanol. *This proposal is estimated to be revenue neutral over 10 years.*

Credits for biodiesel and renewable diesel; Clarification that credits for fuel are designed to provide an incentive for United States production. The bill extends for one year (through December 31, 2009) the \$1.00 per gallon production tax credits for biodiesel and the small biodiesel producer credit of 10 cents per gallon. The bill also extends for one year (through December 31, 2009) the \$1.00 per gallon production tax credit for diesel fuel created from biomass. The bill eliminates the current-law disparity in credit for biodiesel and agri-biodiesel and eliminates the requirement that renewable diesel fuel must be produced using a thermal depolymerization process. As a result, the credit will be available for any diesel fuel created from biomass without regard to the process used so long as the fuel is usable as home heating oil, as a fuel in vehicles. The bill also clarifies that the \$1 per gallon production credit for renewable diesel is limited to diesel fuel that is produced solely from biomass. Diesel fuel that is created by co-processing biomass with other feedstocks (e.g., petroleum) will be eligible for the 50 cent per gallon tax credit for alternative fuels. Biodiesel that is imported and sold for export will not be eligible for the credit effective May 15, 2008. *The estimated revenue loss of this proposal is \$401 million over 10 years.*

Credit for alternative fuels. The bill extends the 50 cent excise tax credit for alternative fuels from September 30, 2009 until December 31, 2009. *The estimated revenue loss of this proposal is pending.*

Credit for alternative jet fuel. Adds Alternative Jet Fuel as a new credit of \$1.00 per gallon and may be produced by any feedstock described in the Alternative Fuel Tax Credit -- This would include jet fuel derived from biomass, natural gas, coal, propane and hydrogen. Requirements include that it must be produced to the DOD specification for military Jet Fuel or an ASTM specification for aviation turbine fuel. The proposal is effective for fuels produced after December 31, 2008 and expires September 30, 2014. (the same expiration as Hydrogen in the underlying alternative fuel credit. This additional time frame is needed because alternative jet fuel is still a nascent technology and is currently undergoing test by the U.S. Air Force). *The estimated revenue loss of this proposal is pending.*

Credit for new qualified plug-in electric drive motor vehicles. The bill establishes a new credit for qualified plug-in electric drive vehicles. The base amount of the credit is \$2,500. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit amount is increased by \$400, plus another \$400 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours up to 15 kilowatt hours. Taxpayers may claim the full amount of the allowable credit up to the end of the first calendar quarter after the quarter in which the total number of qualified plug-in electric drive vehicles sold in the U.S. is at least 250,000. The credit is reduced in following calendar quarters. The credit is available against the alternative minimum tax (AMT). *The estimated revenue loss of this proposal is \$ 760 million over 10 years.*

Exclusion from heavy truck tax for idling reduction units and advanced insulation. The bill provides an exemption from the heavy vehicle excise tax for the cost of idling reduction units, such as auxiliary power units (APUs), which are designed to eliminate the need for truck engine idling (e.g., to provide heating, air conditioning, or electricity) at vehicle rest stops or other temporary parking locations. The bill also exempts the installation of advanced insulation, which can reduce the need for energy consumption by transportation vehicles carrying refrigerated cargo. Both of these exemptions are intended to reduce carbon emissions in the transportation sector. *The estimated revenue loss of this proposal is \$95 million over 10 years.*

Alternative fuel vehicle refueling property credit. The bill increases the 30% alternative refueling property credit (capped at \$30,000) to 50% (capped at \$50,000). The provision provides a tax credit to businesses (e.g., gas stations) that install alternative fuel pumps such as CNG. The bill also extends this credit through the end of 2010. *The estimated revenue loss of this proposal is \$154 million over ten years.*

Percentage depletion for marginal well production. The bill extends the temporary suspension of percentage depletion for the producers of oil and gas from marginal wells located in the United States (through December 31, 2009). A marginal well is an oil well that produces less than 15 barrels or less per day of heavy oil and is owned by an independent producer. *The estimated revenue loss of this proposal is \$198 million over ten years.*

Extension and modification of election to expense certain refineries. The bill extends the temporary Refinery expensing for two years (through January 1, 2014) the placed-in-service requirement and the building construction contract requirement through 2009.

The proposal provides 50% bonus depreciation for costs incurred for a new refinery or an existing refinery to increase total capacity by 5% or process nonconventional feedstocks at a rate equal or greater to 25% of the total throughput of the refinery. The bill also clarifies that fuel derived from shale and tar sands would qualify as a nonconventional feedstock. *The estimated revenue loss of this proposal is \$922 million over 10 years.*

Treatment of qualified alcohol fuel mixtures and qualified biodiesel fuel mixtures as taxable fuels. The bill includes qualified alternative fuel mixtures made from alcohol or biodiesel as taxable fuels when the credit is claimed. The provision recognizes that the Renewable Fuel Standard will be moving 35 billion gallons of alternative fuel into the market and that the alternative fuel should be included in the excise tax that funds the highway Trust Fund. *The proposal is estimated to raise \$24 million over 10 years.*

ADDITIONAL TAX RELIEF

Income averaging for amounts received in connection with the Exxon Valdez litigation. The bill would allow commercial fishermen and other individuals whose livelihoods were negatively impacted by the 1989 Exxon Valdez oil spill to average any settlement or judgment-related income that they receive in connection with pending litigation in the federal courts over three years for federal tax purposes. The bill would also allow these individuals to use these funds to make contributions to retirement accounts. The proposal is effective on the date of enactment. *The estimated revenue loss of the proposal is \$223 million over ten years.*

Certain GO Zone incentives. In 2005, Congress provided 50% bonus depreciation for areas affected by Hurricanes Katrina, Rita and Wilma. There are two deadlines. Taxpayers must start construction by the end of 2007 and must finish construction by the end of 2008. The proposal eliminates the start construction date allowing businesses who construct and finish a project in 2008 to qualify for Go Zone bonus depreciation. The proposal is effective for property placed in service after December 31, 2007. Additionally, in 2005, Congress provided additional tax-exempt bond authority to improve and rehab homes destroyed by Hurricanes Katrina, Rita and Wilma. The proposal adds Colbert County and Dallas County in Alabama to the areas that can utilize Go Zone bonds. The proposal is effective as if included in the provisions of the Gulf Opportunity Zone Act of 2005 to which it relates. *The estimated revenue loss of the proposal is \$311 million over ten years.*

Election to accelerate AMT and R and D credits in lieu of bonus depreciation. Taxpayers that make qualified investments between April 1, 2008 and December 31, 2008, but elect out of bonus depreciation provided in the 2008 stimulus bill instead may utilize accumulated AMT or R&D credits, without regard to regular tax or minimum tax liability, in an amount equal to the benefit intended to be provided by bonus depreciation. *The estimated revenue loss of the proposal is \$1.378 billion over ten years.*

Modification to exclusion for gain from certain small business stock. The bill would provide a 100% exclusion, instead of the current law 50% exclusion, for capital gains for qualified small business stock acquired after the date of enactment and prior to January 1, 2010. *Estimate pending.*

OTHER PROVISIONS

Secure rural schools and community self-determination program. The bill would reauthorize the Secure Rural Schools program through 2011. It also adjusts the funding distribution formula to make it more equitable, by taking into account historic payment levels to counties, average income levels in counties and acreage of federal land. Finally, the provision also provides for full funding for the Payment in Lieu of Taxes program for 2009. *The estimated revenue loss of the proposal is \$3.264 billion over ten years.*

Transfer of interest earned by abandoned mine reclamation fund. The Coal Act Fairness Alliance is composed of Super Reachback Companies that fully paid Coal Act premiums. As a result of the decision in *Eastern Enterprises v. Apfel*, 524 U.S. 498 (1998), these companies sought a refund of monies paid to the United Mine Workers of America - Combined Fund. In 2006, the Super Reachback Companies received a refund in the amount of \$27 million (see 30 U.S.C. 1232(i)(C)). The Super Reachback Companies, however, did not receive any interest payments on the premiums that the Companies paid to the Combined Fund. In *Mary Helen Coal Corp. v. Hudson*, 235 F.3d 207 (4th Cir. 2000), the Fourth Circuit examined whether interest on the premium payments that were refunded as a result of the Supreme Court's decision in *Eastern Enterprises* was appropriate. The court held that a refund of the interest on the premium payments was appropriate for the final judgment companies as an element of their complete compensation and to give full effect to the *Eastern Enterprises* decision. In the case of the Super Reachback Companies, the lost interest on the premiums amount to \$9 million. *The estimated revenue loss of the proposal is \$9 million over 10 years.*

RESERVED SECTION

A section has been reserved for spending reductions and appropriate revenue raisers for new tax relief policy.