Committee on Ways and Means

H.R. 4520, American Jobs Creation Act of 2004

1. **Ends sanctions by repealing FSC-ETI. Compensates for lost benefits by permanently cutting corporate tax rates for domestic manufacturers, producers, farmers, and small corporations.**

    - Repeals FSC-ETI, thus ending tariffs on American manufacturers and farmers.

    - $13 billion of transition relief is provided over 3 years.

    - To compensate for lost benefits, the top corporate tax rate is reduced from 35 percent to 32 percent for domestic manufacturers, producers, farmers, and small corporations.

2. **Provides pro-growth tax incentives for manufacturers, small businesses and farmers to help create more American jobs.**

    - Provides $4 billion of relief from the AMT (what the National Association of Manufacturers calls the "Anti-Manufacturing Tax"), including AMT relief for farmers.

    - Extends ethanol subsidy through 2010 and makes the Highway Trust Fund whole so that farm states automatically receive more highway funding.

    - Extends enhanced section 179 expensing for 2 years, making it easier for small businesses to invest in new equipment and grow their businesses.

    - Provides 50% bonus depreciation for small aircraft through 2005.

    - Includes 11 tax relief and simplification provisions for S Corporations and makes it easier for companies to qualify under Subchapter S.

    - Ensures that broad-based stock options are not subject to payroll taxes, thus preventing a tax increase on millions of workers and businesses.

    - Temporarily reduces tax rate on repatriated income (to 5.25% for 1 year) if the income is permanently reinvested in the United States.

    - Includes 13 other provisions that would benefit small businesses, manufacturers and farmers. Most of these have previously passed the House.

3. **Enhances the competitiveness of U.S.-based companies engaged in exporting and/or manufacturing by greatly reducing double taxation. These companies receive over 90 percent of FSC-ETI benefits under current law**.

   - Includes fundamental tax reforms to reduce double taxation on U.S. manufacturers that export and do business overseas.

   - Reducing double taxation gives U.S.-based companies an incentive to keep jobs in the United States rather than shutting down their U.S. operations and relocating where it is cheaper to do business.

   - Fifteen of the 16 reforms in the bill are identical to provisions in the Senate bill. The one provision that is not identical (reducing foreign tax baskets from 9 to 2) is similar to a provision in the Senate bill (20 year carryforward of foreign tax credits). The House provision provides comparable relief, but represents significant tax simplification.

   - Two attempts to strip these reforms from the Senate bill were defeated in the Senate by 77 votes and 74 votes.

4. Allows taxpayers to deduct their State income tax or State and local sales tax (whichever is greater) in 2004 and 2005.

5. Extends several tax provisions that expired in 2003 or are scheduled to expire in 2004, including the Research and Development (R&D) tax credit.

6. The bill includes several provisions to combat fuel fraud (which have already passed the House) and many provisions from the President's budget to reduce tax avoidance, crack down on tax shelters and close tax loopholes. The bill also extends customs and IRS user fees, which are scheduled to expire this year.

7. Repeals the government-run tobacco program and transitions to a market-based system of tobacco production.