COMPARISON OF THE REVENUE PROVISIONS OF THE

"FARM, NUTRITION, AND BIOENERGY ACT OF 2007" AS PASSED BY THE HOUSE OF REPRESENTATIVES

AND

THE "HEARTLAND, HABITAT, HARVEST, AND HORTICULTURE ACT OF 2007" AS PASSED BY THE SENATE

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JOINT COMMITTEE ON TAXATION

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INTRODUCTION

This document,[1] prepared by the staff of the Joint Committee on Taxation, presents in side-by-side format, a comparison of the revenue provisions of the "Farm, Nutrition, and Bioenergy Act of 2007" as passed by the House of Representatives and the "Heartland, Habitat, Harvest, and Horticulture Act of 2007" as passed by the Senate.

[1] This document may be cited as follows, Joint Committee on Taxation, *Comparison of the Revenue Provisions of the "Farm, Nutrition, and Bioenergy Act of 2007" as passed by the House of Representatives and the "Heartland, Habitat, Harvest, and Horticulture Act of 2007" as passed by the Senate* (JCX-15-08), February 4, 2008.

Provision	Present Law	House Bill	Senate Amendment
HOUSE BILL **Limit Tax Treaty Benefits with Respect to Certain Deductible Payments (sec. 12001 of the House bill and sec. 894 of the Code)**	Foreign corporations generally are subject to a gross-basis U.S. tax at a flat 30-percent rate on the receipt of interest, dividends, rents, royalties, and certain similar types of income derived from U.S. sources, subject to certain exceptions. The tax ("U.S. withholding tax") generally is collected by means of withholding by the person making the payment. U.S. withholding tax may be reduced or eliminated under an applicable tax treaty with a foreign country, but only if the recipient of the payment is both a resident of such foreign country and qualifies under any limitation-on-benefits provision contained in the U.S. tax treaty with such foreign country. Limitation-on-benefits provisions in income tax treaties are intended to deny treaty benefits in certain cases of treaty shopping or income base stripping engaged in by third-country residents. Treaty shopping is said to occur when an entity that is resident in a country with respect to which there is no relevant tax treaty in force (or there is such a	The provision limits tax treaty benefits otherwise available with respect to U.S. withholding tax imposed on deductible related-party payments. Under the provision, the amount of U.S. withholding tax imposed on deductible related-party payments may not be less than the amount that would be imposed if the payment were made directly to the "foreign parent corporation" of the payee, taking into account any income tax treaty between the United States and the country in which the foreign parent corporation is resident. A payment is a deductible related-party payment if it is made directly or indirectly by any entity to any other entity, it is allowable as a deduction for U.S. tax purposes, and both entities are members of the same "foreign controlled group of entities." The provision also authorizes the Secretary to prescribe regulations that are necessary or appropriate to carry out the purposes of the provision.	No provision.

Provision	Present Law	House Bill	Senate Amendment
	treaty in force but the taxpayer desires better benefits than those offered under that treaty) becomes resident in a treaty country or conducts a transaction in such a country for the purpose of qualifying for treaty benefits. U.S. tax treaties contain a variety of limitation-on-benefits provisions, some quite detailed. However, many older U.S. tax treaties may lack limitation-on-benefits provisions or lack the refinements now thought essential to such provisions.	Effective for payments made after the date of enactment.	
Modifications to Corporate Estimated Tax Payments (sec. 13003 of the House bill and sec. 12506 of the Senate amendment)		See discussion of item E.6. of the Senate amendment below.	

Provision	Present Law	House Bill	Senate Amendment
SENATE AMENDMENT **A.1. Supplemental Agricultural Disaster Assistance from the Agriculture Disaster Relief Trust Fund (sec. 12101 of the Senate amendment and sec. 901 of the Trade Act of 1974)** The description of this provision was supplied by the Majority Staff of the Senate Finance Committee	The Farm Service Agency ("FSA") of the United States Department of Agriculture ("USDA") offers various ongoing programs for agricultural producers to facilitate recovery from losses caused by natural events. Ongoing programs include the Emergency Conservation Program ("ECP"), the Noninsured Crop Disaster Assistance Program ("NAP"), the Disaster Debt Set-Aside Program ("DSA"), and the Emergency Loan Program ("EM").	No provision.	Amends the Trade Act of 1974 to create a permanent Agriculture Disaster Relief Trust Fund ("PADTF") that would provide payments to farmers and ranchers who suffer losses in areas that are declared disaster areas by the USDA. The trust fund will be funded by an amount equal to 3.34 percent of the amounts received in the general fund of the Treasury that are attributable to the duties collected on articles entered, or withdrawn from a warehouse, for consumption under the Harmonized Tariff Schedule. The PADTF could make payments under four new disaster assistance programs: the permanent crop disaster assistance program, the permanent livestock indemnity program, the tree assistance program, and the emergency assistance program for livestock, honey bees, and farm raised fish. In addition, the PADTF will also fund a new pest and disease management and disaster prevention program and permit producers to buy additional NAP coverage.

Provision	Present Law	House Bill	Senate Amendment
B.1. Provide tax credit for eligible farmland enrolled in the conservation reserve program (sec. 12201 of the Senate amendment and sec. 30D of the Code)	Under the Department of Agriculture's conservation reserve program, eligible producers generally enter into contracts under which they agree to establish long-term, resource conserving covers on eligible farmland in exchange for annual contract payments. Present law does not provide an income tax credit for eligible farmland enrolled in the conservation reserve program.	No provision	Creates a conservation reserve credit (in lieu of Department of Agriculture contract payments) for farmland enrolled in the conservation reserve program. The credit is equal to the rental value of any such property enrolled in the program, as determined by the Treasury Secretary in consultation with the Secretary of Agriculture. The conservation reserve credit may not offset the alternative minimum tax. Establishes an annual conservation reserve credit limitation of $750 million for each of fiscal years 2009 through 2012, which represents the total amount of credits that may be allocated under the program for all taxpayers for such years. Effective on the date of enactment and applies with respect to conservation reserve program contracts entered into before, on, or after such date.

Provision	Present Law	House Bill	Senate Amendment
B.2. Exclusion of Conservation Reserve Program Payments from SECA tax for individuals receiving social security retirement or disability payments (sec. 12202 of the Senate amendment and sec. 1402(a) of the Code)	Generally, the Self-Employment Contributions Act ("SECA") tax is imposed on an individual's net earnings from self-employment income within the social security wage base. Net earnings from self-employment generally mean gross income (including the individual's net distributive share of partnership income) derived by an individual from any trade or business carried on by the individual less applicable deductions.	No provision.	Excludes conservation reserve program payments from self-employment income for purpose of SECA tax in the case of individuals who are receiving social security, retirement, or disability benefits. The treatment of conservation reserve program payments received by other entities is not changed. Effective for payments made after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
B.3. Make permanent the special rule encouraging contributions of capital gain real property for conservation purposes (sec. 12203 of the Senate amendment and sec. 170 of the Code)	Generally, contributions of capital gain property to charitable organizations described in section 170(b)(1)(A) (e.g., public charities, private foundations other than private non-operating foundations, and certain governmental units) are deductible up to 30 percent of the taxpayer's contribution base (in the case of individuals) and 10 percent of the taxpayer's contribution base (in the case of corporations). Contributions in excess of either contribution base may be carried over for up to five years. Effective for contributions made in taxable years beginning after December 31, 2005 and before January 1, 2008, qualified conservation contributions are subject to a higher percentage limitation: 50 percent of the contribution base in the case of individuals generally, and 100 percent of the contribution base in the case individual and corporate farmers or ranchers. In addition, qualified conservation contributions in excess of the applicable percentage limitation may be carried over for up to fifteen years.	No provision.	Makes permanent the special rule regarding qualified conservation contributions. Effective for contributions made in taxable years beginning after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
B.4. Provide tax credit for recovery and restoration of endangered species (sec. 12204 of the Senate amendment and new sec. 30D of the Code)	Present law does not provide an income tax credit for endangered species recovery expenditures.	No provision.	Establishes a credit for: (1) costs pursuant to a habitat management plan entered into under certain qualified habitat protection agreements ("habitat restoration credit") and (2) a percentage of the loss in value to real property attributable to an easement placed on the property pursuant to such agreements (less any amount received in connection with the easement) ("habitat protection easement credit"). The habitat protection restoration credit is not allowed for purposes of the alternative minimum tax. The habitat protection easement credit is allowed for purposes of the alternative minimum tax. Effective for taxable years beginning after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
B.5. Deduction for endangered species recovery expenditures (sec. 12205 of the Senate amendment and sec. 175 of the Code)	A taxpayer engaged in the business of farming may treat expenditures for the purpose of soil or water conservation in respect of land used in farming, or for the prevention or erosion of land used in farming, as not chargeable to capital account and as deductible subject to the limitation that the deduction may not exceed 25 percent of the farmer's gross income derived from farming during the taxable year.	No provision.	A taxpayer engaged in the business of farming may receive the same tax treatment as allowed for soil or water conservation expenditures for expenditures achieving site-specific management actions pursuant to the Endangered Species Act of 1973 (i.e., such expenditures are treated as not chargeable to capital account and are deductible subject to the limitation that the deduction may not exceed 25 percent of the farmer's gross income derived from farming during the taxable year). Effective for expenditures paid or incurred after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
B.6. Provide exclusion for certain payments and programs relating to fish and wildlife (sec. 12206 of the Senate amendment and sec. 126 of the Code)	Gross income does not include the excludable portion of payments made to taxpayers by the Federal and State governments for a share of the cost of improvements to property under certain conservation programs.	No provision.	Expands the present-law exclusion to include the excludable portion of payments made under the Partners for Fish and Wildlife Program authorized by the Partners for Fish and Wildlife Act, the Landowner Incentive Program, the State Wildlife Grants Program, the Private Stewardship Grants Program authorized by the Fish and Wildlife Act of 1956, the Forest Health Protection Program authorized by the Cooperative Forestry Assistance Act of 1978, and the program related to integrated pest management authorized by section 8(i)(1)(A) of the Cooperative Forestry Act of 1978. Effective for payments received after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
B.7. Provide tax credit for easements made pursuant to certain U.S.D.A. conservation programs (sec. 12207 of the Senate amendment and sec. 30F of the Code)	Present law does not provide an income tax credit for easements placed on real property pursuant to the wetlands reserve program or the working grassland protection program.	No provision.	Establishes two income tax credits: (1) the wetlands reserve conservation credit; and (2) the working grassland protection credit (in lieu of Department of Agriculture contract payments). The wetlands reserve conservation credit requires the taxpayer to grant to the Secretary of Agriculture an easement pursuant to the wetlands reserve program. The working grassland protection credit requires the taxpayer to grant an easement in perpetuity or for a period not less than 30 years to the Secretary of Agriculture or to a State pursuant to the working grassland protection program. The wetlands reserve credit and the working grassland protection credit may not offset the alternative minimum tax. The provision establishes a national conservation credit limitation of $1 billion, which represents the aggregate amount of credits that may be allocated under the provision for all taxpayers. Effective for easements granted after September 30, 2007, in taxable years ending after such date.

Provision	Present Law	House Bill	Senate Amendment
B.8. Exempt facility bonds for forest conservation activities (sec. 12211 of the Senate amendment and sec. 142 of the Code)	Tax exempt bonds The definition of tax-exempt exempt facility bonds does not include bonds for forest conservation activities. Taxation of income from timber harvesting An organization exempt from taxation generally is subject to tax on its unrelated business taxable income, generally defined to mean gross income (less deductions) derived from a trade or business, the conduct of which is not substantially related to the exercise or performance of the organization's exempt purposes or functions, that is regularly carried on by the organization. Special unrelated trade or business income rules applicable to the cutting of timber are contained in sections 512(b)(5) and 631. Under these rules, the determination of whether income derived from the cutting of timber constitutes an unrelated trade or business income depends upon a variety of factors.	No provision	Establishes a pilot project for forest conservation activities by providing two types of tax benefits available to qualified organizations that acquire forest and forest lands for conservation management. First, the provision provides for $1.5 billion of qualified forest conservation bonds as exempt facility bonds. Second, the provision provides for the exclusion from gross income of income from certain timber harvesting activities conducted by a qualified organization on lands acquired with proceeds from qualified forest conservation bonds. Generally effective for obligations issued on or after the date that is 180 days after the date of enactment. The provision excluding timber harvesting activities from gross income is effective on date of enactment.

Provision	Present Law	House Bill	Senate Amendment
B.9. Deduction for qualified timber gain and timber REIT provisions (secs. 12212-12217 of the Senate amendment and new sec. 1203, and secs. 856, 857 and 4981 of the Code)	Gain from cutting timber held for at least one year can be treated as capital gain. The maximum capital gain rate is 15 percent for individuals but is the regular 35 percent rate for corporations. Real estate investment trusts ("REITs") must derive most of their income from generally passive real estate activities and meet other requirements. REITs can deduct dividends paid and can declare capital gains dividends taxed at the shareholders' tax rates. IRS private rulings have held timber cutting capital gain to be qualified REIT income. Mineral royalty income is not qualified REIT income. A REIT can hold up to 20 percent of asset value in stock of a taxable REIT subsidiary ("TRS") that can conduct active business but is taxed as a corporation. A 100 percent excise tax is imposed on REIT gain from sale of property held for sale to customers in the ordinary course of business.	No provision.	A taxpayer can deduct 60 percent of timber cutting capital gain (up to net capital gain). Special rules also provide for this 60 percent deduction under the REIT rules. Timber cutting gain is statutorily included as qualified REIT income, without regard to the whether the 1 year holding period is met. Special rules apply to a "timber REIT," defined as a REIT with more than 50 percent of its asset value in real property held in connection with the trade or business of producing timber. For a timber REIT, mineral royalty income is qualified REIT income and the TRS limit is expanded to 25 percent of REIT assets. The excise tax safe-harbor holding period is reduced from 4 to 2 years, for timber property sold to a qualified organization exclusively for conservation purposes. Applies to taxable years beginning after the date of enactment, but does not apply after the last day of the first taxable year beginning after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
	A safe harbor excepts gain from certain property held at least 4 years.		
C.1. Credit for residential and business wind property (sec. 12301 of the Senate amendment and secs. 25D and 48 of the Code)	A nonrefundable, 10-percent business energy credit is allowed for the cost of new property that is equipment that either (1) uses solar energy to generate electricity, to heat or cool a structure, or to provide solar process heat, or (2) is used to produce, distribute, or use energy derived from a geothermal deposit, but only, in the case of electricity generated by geothermal power, up to the electric transmission stage.	No provision.	Provides a 30 percent investment credit for qualified small wind energy property. The credit with respect to such property cannot exceed $4,000 with respect to any taxpayer. The credit applies to expenditures made after December 31, 2007 for periods prior to January 1, 2009. Also provides a 30 percent for qualified small wind energy property installed on or in connection with a dwelling unit in the United States that is used as a residence by the taxpayer. The residential credit is limited to $500 with respect to each half kilowatt of capacity, not to exceed $4,000. The residential wind credit is not available for property placed in service after December 31, 2008. The credit is not allowed against the alternative minimum tax.

Provision	Present Law	House Bill	Senate Amendment
C.2. Landowner incentive to encourage electric transmission build-out (sec. 12302 of the Senate amendment and new sec. 139B of the Code)	Gross income includes all income from whatever source derived unless a specific exclusion applies.	No provision.	Provides an exclusion from gross income for any qualified electric transmission easement payment. For purposes of the provision, a qualified electric transmission easement payment is any payment by an electric utility or electric transmission entity pursuant to an easement or other agreement granted by the payee for the right to locate on the payee's property transmission lines and equipment used to transmit electricity at 230 or more kilovolts primarily from qualified facilities described in section 45(d) (without regard to any placed in service date). Effective for payments received after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.3. Exception to reduction of renewable electricity credit (sec. 12303 of the bill and sec. 45 of the Code)	An income tax credit is allowed for the production of electricity at qualified facilities using qualified energy resources. Qualified energy resources comprise wind, closed-loop biomass, open-loop biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, and qualified hydropower production. Qualified facilities are, generally, facilities that generate electricity using qualified energy resources. To be eligible for the credit, electricity produced from qualified energy resources at qualified facilities must be sold by the taxpayer to an unrelated person. In addition to the electricity production credit, an income tax credit is allowed for the production of refined coal and Indian coal at qualified facilities.	No provision.	Provides an exception to the reduction in the section 45 credit by reason of grants, tax-exempt bonds, subsidized energy financing, and other credits. Under the provision, the section 45 credit is not reduced by any loans, loan guarantees, or grants to farmers, ranchers, or rural small businesses issued by the Secretary of Agriculture under authority granted by section 9007 of the Farm Security and Rural Investment Act of 2002 (Pub. L. No. 107-171). Effective for facilities placed in service after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.4. Expansion of special depreciation allowance to cellulosic biofuel plant property (sec. 12311 of the Senate amendment and sec. 168(l) of the Code)	Section 168(l) allows an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified cellulosic biomass ethanol plant property. In order to qualify, the property generally must be placed in service before January 1, 2013. Qualified cellulosic biomass ethanol plant property means property used in the U.S. solely to produce cellulosic biomass ethanol. For this purpose, cellulosic biomass ethanol means ethanol derived from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis.	No provision.	Expands the definition of qualified property to include property used solely to produce cellulosic biofuel. Cellulosic biofuel is defined as any alcohol, ether, ester, or hydrocarbon produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis. Effective for property placed in service in taxable years ending after the date of enactment, in taxable years ending after such date.

Provision	Present Law	House Bill	Senate Amendment
C.5. Credit for Production of Cellulosic Biofuel (sec. 12312 of the Senate amendment and sec. 40 of the Code)	In the case of ethanol, the Code provides a separate 10-cents-per-gallon credit for up to 15 million gallons per year for small producers, defined generally as persons whose production capacity does not exceed 60 million gallons per year. The credit is includible in income and is treated as a general business credit, subject to the ordering rules and carryforward/carryback rules that apply to business credits generally. The alcohol fuels tax credit, of which the small producer credit is a part, is scheduled to expire after December 31, 2010.	No provision.	Provides an income tax credit for each gallon of qualified cellulosic fuel production of the producer for the taxable year. The amount of the credit per gallon is $1.25 less the credit amount for alcohol fuel and the credit amount for small ethanol producers as of the date the cellulosic biofuel fuel is produced. This credit is in addition to any credit that may be available under section 40 of the Code. The credit terminates on April 1, 2015. The provision waives the 15 million gallon limitation of the small ethanol producer credit for cellulosic biofuel that is ethanol. Effective for fuel produced after December 31, 2007.
C.6. Extension of small ethanol producer credit (sec. 12313 of the Senate amendment and sec. 40 of the Code)	The alcohol fuels credit is the sum of three credits: the alcohol mixture credit, the alcohol credit, and the small ethanol producer credit. Generally, the alcohol fuels credit expires after December 31, 2010.	No provision.	Extends the small ethanol producer component of the alcohol fuels credit for an additional two years (through December 31, 2012).

Provision	Present Law	House Bill	Senate Amendment
C.7. Credit for producers of fossil free alcohol (sec. 12314 of the Senate amendment and sec. 40 of the Code)	The alcohol fuels credit is the sum of three credits: the alcohol mixture credit, the alcohol credit, and the small ethanol producer credit. Generally, the alcohol fuels credit expires after December 31, 2010.	No provision.	The provision adds a new component to the alcohol fuels credit, the small fossil-free alcohol producer credit. The credit provides an additional 10-cents-per-gallon credit for up to 60 million gallons of alcohol produced at a fossil-free facility during the calendar year for small producers. Small producer is defined generally as a producer whose fossil free alcohol production capacity does not exceed 60 million gallons per year. A fossil-free facility is one at which 90 percent of the energy used in the production of alcohol at such facility is produced from biomass as defined in sec. 45K(c)(3). The credit terminates after December 31, 2012.

Provision	Present Law	House Bill	Senate Amendment
C.8. Modification of alcohol credit (sec. 12315 of the Senate amendment and sec. 40 and 6426 of the Code)	Taxpayers are eligible for an income tax credit of 51 cents per gallon of ethanol (60 cents in the case of alcohol other than ethanol) used in the production of a qualified mixture (the "alcohol mixture credit"). A "qualified mixture" means a mixture of alcohol and gasoline (or of alcohol and a special fuel) sold by the taxpayer as fuel, or used as fuel by the taxpayer producing such mixture. The term "alcohol" includes methanol and ethanol but does not include (1) alcohol produced from petroleum, natural gas, or coal (including peat), or (2) alcohol with a proof of less than 150.	No provision.	The 51-cent-per-gallon incentive for ethanol is adjusted to 46 cents per gallon beginning with the first calendar year after the year in which 7.5 billion gallons of ethanol (including cellulosic ethanol) have been produced in or imported into the United States after the date of enactment, as certified by the Secretary in consultation with the Administrator of the Environmental Protection Agency. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.9. Calculation of volume of alcohol for fuel credits (sec. 12316 of the Senate amendment and sec. 40 of the Code)	The Code provides a per-gallon credit for the volume of alcohol used as a fuel or in a qualified mixture. For purposes of determining the number of gallons of alcohol with respect to which the credit is allowable, the volume of alcohol includes any denaturant, including gasoline. The denaturant must be added under a formula approved by the Secretary and the denaturant cannot exceed five percent of the volume of such alcohol (including denaturants).	No provision.	Reduces the amount of allowable denaturants to two percent of the volume of the alcohol. Effective for fuel sold or used after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
C.10. Ethanol tariff extension (sec. 12317 of the Senate amendment)	9901.00.50 of the Harmonized Tariff Schedule of the United States imposes a cumulative general duty of 14.27 cents per liter (approximately 54 cents per gallon) to imports of ethyl alcohol, and any mixture containing ethyl alcohol, if used as a fuel or in producing a mixture to be used as a fuel, that are entered into the United States prior to January 1, 2009. The temporary duty under 9901.00.50 offsets the alcohol fuels credit of 51 cents per gallon that is available to taxpayers that blend ethanol with gasoline; both domestic and imported ethanol is eligible for the alcohol fuels credit. 9901.00.52 of the Harmonized Tariff Schedule of the United States imposes a general duty of 5.99 cents per liter to imports of ethyl tertiary-butyl ether, and any mixture containing ethyl tertiary-butyl ether, that are entered into the United States prior to January 1, 2009.	No provision.	Modifies the existing effective period for ethyl alcohol as classified under 9901.00.50 and 9901.00.52 of the Harmonized Tariff Schedule of the United States from before January 1, 2009 to before January 1, 2011. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.11. Limitations on, and reductions of, duty drawback on certain imported ethanol (sec. 12318 of the Senate amendment)	9901.00.50 of the Harmonized Tariff Schedule of the United States ("HTSUS"), imposes an additional duty on ethanol that is used as fuel or use to make fuel. Subsection (b) of Section 1313 of the Tariff Act of 1930, as amended, permits the refund of duty if the duty-paid good, or a substitute good, is used to make an article that is exported. Subsection (j)(2) of Section 1313 permits the refund of duty if the duty-paid good, or a substitute good, is exported. Subsection (p) of section 1313 permits the substitution on exportation for drawback eligibility of one motor fuel for another motor fuel. A person who manufactures or acquires gasoline with ethanol subject to the duty imposed by 9901.00.50 of the HTSUS, can export jet fuel (which does not involve the use of ethanol) and obtain a refund of the duty paid under 9901.00.50 of the HTSUS.	No provision.	Eliminates the ability to obtain a refund of the duty imposed by 9901.00.50 of the HTSUS by substitution of ethanol not subject to the duty under 9901.00.50 of the HTSUS for ethanol subject to the duty imposed under 9901.00.50 of the HTSUS, for drawback purposes. The provision also prevents the ability to claim duty drawback on the substitution of jet fuel for ethyl alcohol, or any ethyl alcohol mixture, used as a fuel. Effective for articles exported on or after the date that is 15 days after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.12. Extension and modification of credit for biodiesel used as fuel (sec. 12321 of the Senate amendment and sec. 40A, 6426 and 6427 of the Code)	The Code provides an income tax credit for biodiesel fuels (the "biodiesel fuels credit"). The biodiesel fuels credit is the sum of the biodiesel mixture credit, the biodiesel credit, and the small agri-biodiesel producer credit. The credit does not apply to fuel sold or used after December 31, 2008. The Code also provides an excise tax credit for biodiesel mixtures. If any person produces a biodiesel fuel mixture in such person's trade or business, the Secretary is to pay such person an amount equal to the biodiesel mixture credit. The Secretary is not required to make payments with respect to biodiesel fuel mixtures sold or used after December 31, 2008.	No provision.	Generally extends an additional two years (through December 31, 2010) the income tax credit, excise tax credit, and payment provisions for biodiesel (including agri-biodiesel). The small agri-biodiesel producer credit is extended an additional four years (through December 31, 2012). The provision adds camelina to the illustrative and nonexclusive list of sources of virgin oils for agri-biodiesel. Effective for fuel used or sold after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.13. Extension and modification of credit for renewable diesel used as fuel (sec. 12321 of the Senate amendment and sec. 40A, 6426 and 6427 of the Code)	The Code provides a tax incentive of $1.00 per gallon relating to renewable diesel that is part of a qualified mixture with diesel fuel. This incentive may be taken as an income tax credit, an excise tax credit, or as a payment from the Secretary. The incentive is available only to the person who produced and sold or used the mixture in their trade or business and is based on the gallons of renewable diesel in the mixture. The provisions relating to renewable diesel do not apply after December 31, 2008. Pursuant to IRS Notice 2007-37, the Secretary provided that fuel produced as a result of co-processing biomass and petroleum feedstock ("co-produced fuel") qualifies for the renewable diesel incentives to the extent of the fuel attributable to the biomass in the mixture. In co-produced fuel, the fuel attributable to the biomass does not exist as a distinct separate quantity prior to mixing.	No provision.	Provides that, on a per year basis, producers of co-produced fuel may claim $1.00 per gallon for up to 60 million gallons of renewable diesel contained in a qualified mixture. The 60-million-gallon limitation is determined on a per facility basis. No credit is allowable for gallons in excess of 60 million gallons produced at a facility. Expands the definition of renewable diesel to include fuel derived from biomass using a thermal depolymerization process that meets the requirements of a Department of Defense specification for military jet fuel or an American Society of Testing Materials specification for aviation turbine fuel. Extends the tax incentives for renewable diesel (income tax credit, excise tax credit, and payment provisions) an additional two years (through December 31, 2010). Effective for fuel sold or used after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.14. Treatment of qualified alcohol fuel mixtures and qualified biodiesel fuel mixtures as taxable fuel (sec. 12322 of the Senate amendment and sec. 4083 of the Code)	An excise tax is imposed upon (1) the removal of any taxable fuel from a refinery or terminal, (2) the entry of any taxable fuel into the United States, or (3) the sale of any taxable fuel to any person who is not registered with the IRS to receive untaxed fuel, unless there was a prior taxable removal or entry.	No provision.	Adds qualified alcohol fuel mixtures and qualified biodiesel fuel mixtures to the definition of taxable fuel. Modifies the certification requirements for biodiesel. Effective for fuels removed, entered, or sold after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
C.15. Extension and modification of alternative fuel credit (sec. 12331 of the Senate amendment and secs. 6426 and 6427 of the Code)	The alternative fuel credit is allowed against section 4041 liability and the alternative fuel mixture credit is allowed against section 4081 liability. The credits generally expire after September 30, 2009. A person may file a claim for payment equal to the amount of the alternative fuel credit and alternative fuel mixture credits. These payment provisions generally also expire after September 30, 2009.	No provision.	Extends the alternative fuel excise tax credit, alternative fuel mixture excise tax credit and related payment provisions through December 31, 2010, for all fuels other than hydrogen. The incentives for hydrogen are unchanged by the proposal and will expire as provided under present law. The provision provides that biomass gas qualifies for the credit. The provision also provides that alternative fuel that is not in a mixture may be used, or sold for use, as a fuel in aviation for purposes of the credit. To qualify as an alternative fuel, liquid fuel from coal derived through the Fischer-Tropsch process must be certified as having been derived from coal produced at a gasification facility that separates and sequesters certain percentages of such facilities total carbon dioxide emissions. Effective for fuel sold or used after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
C.16. Extension of alternative fuel vehicle refueling property credit (sec. 12332 of the Senate amendment and sec. 30C of the Code)	Taxpayers may claim a 30-percent credit for the cost of installing qualified clean-fuel vehicle refueling property to be used in a trade or business of the taxpayer or installed at the principal residence of the taxpayer. The credit is available for property placed in service after December 31, 2005, and (except in the case of hydrogen refueling property) before January 1, 2010. In the case of hydrogen refueling property, the property must be placed in service before January 1, 2015.	No provision.	Extends for one year (through 2010) the credit for installing non-hydrogen alternative fuel refueling property. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.1. Qualified small issue bonds for farming (sec. 12401 of the Senate amendment and sec. 144 of the Code)	Qualified small issue bonds are tax-exempt bonds issued by State and local governments to finance private business manufacturing facilities (including certain directly related and ancillary facilities) or the acquisition of land and equipment by certain first-time farmers. A first-time farmer means any individual who has not at any time had any direct ownership interest in substantial farmland in the operation of which such individual materially participated. In addition, an individual does not qualify as a first-time farmer if such individual has received more than $250,000 in qualified small issue bond financing. Substantial farmland means any parcel of land unless (1) such parcel is smaller than 30 percent of the median size of a farm in the county in which such parcel is located and (2) the fair market value of the land does not at any time while held by the individual exceed $125,000.	No provision.	Increases the maximum amount of qualified small issue bond proceeds available to first-time farmers to $450,000 and indexes this amount for inflation. The provision also eliminates the fair market value test from the definition of substantial farmland. Effective for bonds issued after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.2. Modification of installment sale rules for certain farm property (sec. 12402 of the Senate amendment and sec. 453 of the Code)	Taxpayers are permitted to recognize as gain on a disposition of property only that proportion of payments received in a taxable year that is the same as the proportion that the gross profit bears to the total contract price (the "installment method"). Notwithstanding any installment sale, the aggregate amount that would be treated as ordinary income under section 1245 or section 1250 for the taxable year of the disposition if all payments to be received were received in the taxable year of disposition is recognized in the year of the disposition.	No provision.	Repeals the immediate recognition of recapture income for sales of any single purpose agricultural or horticultural structure (as defined in section 168(i)(13)) or any tree or vine bearing fruit or nuts. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.3. Allowance of section 1031 for exchanges involving certain mutual ditch, reservoir, or irrigation company stock (sec. 12403 of the Senate amendment and sec. 1031 of the Code)	An exchange of property, like a sale, generally is a taxable event. However, no gain or loss is recognized if property held for productive use in a trade or business or for investment is exchanged for property of a "like-kind." If section 1031 applies to an exchange of properties, the basis of the property received in the exchange is equal to the basis of the property transferred, decreased by any money received by the taxpayer, and further adjusted for any gain or loss recognized on the exchange. In general, this nonrecognition rule does not apply to any exchange of stock in trade or other property held primarily for sale; stocks, bonds or notes; other securities or evidences of indebtedness or interest; interests in a partnership; certificates of trust or beneficial interests; or choses in action.	No provision.	The nonrecognition rule may apply to shares in a mutual ditch, reservoir, or irrigation company, if at the time of the exchange: (1) the company is an organization described in section 501(c)(12)(A) (determined without regard to the percentage of its income that is collected from its members for the purpose of meeting losses and expenses); and (2) the shares in the company have been recognized by the highest court of the State in which such company was organized or by applicable State statute as constituting or representing real property or an interest in real property. Effective for transfers after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.4. Rural renaissance bonds (sec. 12404 of the Senate amendment and new sec. 54A of the Code)	As an alternative to traditional tax-exempt bonds, the Code permits three types of tax-credit bonds. States and local governments have the authority to issue qualified zone academy bonds ("QZABS"), clean renewable energy bonds ("CREBS"), and "Gulf tax credit bonds."	No provision.	Provides for a new category of tax-credit bonds, "Rural Renaissance Bonds" for "qualified projects." The term "qualified projects" means: (1) a utilities program described in section 381E(d)(2) of the Consolidated Farm and Rural Development Act; (2) a distance learning or telemedicine program authorized pursuant to chapter 1 of subtitle D of title XXIII of the Food, Agriculture, Conservation, and Trade Act of 1990; (3) the rural electric programs authorized pursuant to the Rural Electrification Act of 1936; (4) the rural telephone programs authorized pursuant to the Rural Electrification Act of 1936; (5) the broadband access programs authorized pursuant to title VI of the Rural Electrification Act of 1936; and (6) the rural community facility programs as described in section 381E(d)(1) of the Consolidated Farm and Rural Development Act. Effective for bonds issued after the date of enactment

Provision	Present Law	House Bill	Senate Amendment
D.5. Agricultural business security tax credit (sec. 12405 of the Senate amendment and new sec. 45O of the Code)	Present law does not provide a credit for agricultural business security.	No provision.	Establishes a 30 percent credit for qualified chemical security expenditures for the taxable year with respect to eligible agricultural businesses. The credit is a component of the general business credit. The credit is limited to $100,000 per facility, this amount is reduced by the aggregate amount of the credits allowed for the facility in the prior five years. In addition, each taxpayer's annual credit is limited to $2,000,000. The credit only applies to expenditures paid or incurred before December 31, 2012. The taxpayer's deductible expense is reduced by the amount of the credit claimed. Effective for expenses paid or incurred after date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.6. Credit for drug safety and effectiveness testing for minor animal species (sec. 12406 of the Senate amendment and new sec. 45P of the Code)	Present law does not provide a credit for drug safety and effectiveness testing for use in a minor animal species.	No provision.	The provision establishes, at the election of a qualified taxpayer, a 50 percent credit for qualified safety and effectiveness testing expenses incurred during the taxable year for certain designated new animal drugs intended for use in a minor species. The taxpayer's otherwise deductible qualified safety and effectiveness testing expenses are reduced by the amount of the credit claimed. A qualified taxpayer is a taxpayer that owns the animals that are the subject of the testing or applies for the designation of a new animal drug for use on a minor animal species under section 573 of the Federal Food, Drug, and Cosmetic Act. A "minor species" means animals other than humans that are not major species. A "major species" means cattle, horses, swine, chickens, turkeys, dogs, and cats, as well as any species the Secretary, in consultation with the Secretary of Agriculture, adds by regulation.

Provision	Present Law	House Bill	Senate Amendment
			The credit is not allowable against a taxpayer's alternative minimum tax. Effective for expenses incurred after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.7. Reduce the recovery period for certain farming business machinery or equipment from seven to five years (sec. 12407 of the Senate amendment and sec. 168 of the Code)	A taxpayer is allowed to recover, through annual depreciation deductions, the cost of certain property used in a trade or business or for the production of income. The amount of the depreciation deduction allowed with respect to tangible property for a taxable year is determined under the modified accelerated cost recovery system ("MACRS"). The class lives of assets placed in service after 1986 are generally set forth in Revenue Procedure 87-56. Asset class 01.1 includes machinery and equipment, grain bins, and fences (but no other land improvements), that are used in the production of crops or plants, vines, and trees; livestock; the operation of farm dairies, nurseries, greenhouses, sod farms, mushrooms cellars, cranberry bogs, apiaries, and fur farms; and the performance of agricultural, animal husbandry, and horticultural services. These assets are assigned a class life of 10 years and a recovery period of seven years.	No provision.	Provides a five year (rather than seven-year) recovery period for any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) which is used in a farming business and placed in service before January 1, 2010, the original use of which begins with the taxpayer. For these purposes, the term "farming business" means a trade or business involving the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity. A farming business includes processing activities that are normally incident to the growing, raising, or harvesting of agricultural or horticultural products. Effective for original use property placed in service after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.8. Expensing of broadband internet access expenditures (sec. 12408 of the Senate amendment and new sec. 191 of the Code)	A taxpayer is allowed to recover, through annual depreciation deductions, the cost of certain property used in a trade or business or for the production of income. The amount of the depreciation deduction allowed with respect to tangible property for a taxable year is determined under the modified accelerated cost recovery system ("MACRS"). Under MACRS, different types of property generally are assigned applicable recovery periods and depreciation methods. The recovery periods applicable to most tangible personal property (generally tangible property other than residential rental property and nonresidential real property) range from 3 to 25 years. The depreciation methods generally applicable to tangible personal property are the 200-percent and 150-percent declining balance methods, switching to the straight-line method for the taxable year in which the depreciation deduction would be maximized.	No provision.	Taxpayer may elect to treat any qualified broadband expenditure paid or incurred by the taxpayer as not chargeable to capital account, but rather, as a deduction. The deduction is allowed in the first taxable year in which either current generation or next generation broadband services are provided through qualified equipment to qualified subscribers. Expenditures are eligible for this election only for qualified equipment, the original use of which commences with the taxpayer. The provision applies for qualified broadband expenditures incurred after the date of enactment and on or before the first December 31 that is three years after such date. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
D.9. Credit for Energy Efficient Motors	Present law does not provide a credit for energy efficient motors	No provision	The provision provides a business tax credit for the purchase of qualified energy efficient electric motors that meet or exceed certain energy efficiency standards. The credit equals $15 per horsepower and the aggregate amount of credit that a taxpayer may claim for any taxable year cannot exceed $1,250,000. A "qualifying energy efficient motor" is a general- or definite-purpose electric motor (a) of 500 horsepower or less that meets or exceeds the efficiency levels specified in Tables 12-12 or 12-13 of the National Electrical Manufacturers Association MG-1 (2006); (b) the original use of which begins with the taxpayer; and (c) which is placed in service in the United States. The provision applies to energy efficient motors placed in service after the date of enactment and prior to 36 months from the date of enactment. The credit is not allowed against the alternative minimum tax.

Provision	Present Law	House Bill	Senate Amendment
E.1. Limitation on farming losses of certain taxpayers (sec. 12501 of the Senate amendment and sec. 461 of the Code)	Farming income and expenses are reported by individuals, estates, trusts, and partnerships on IRS Schedule F, Profit and Loss from Farming. For taxpayers who materially participate (as defined in section 469(h)), net farming losses are reported in full as a reduction to income from both passive and nonpassive sources. To the extent taxpayers do not materially participate in the farming activity, the passive activity rules in section 469 may limit the ability to use such losses to reduce income from nonpassive sources.	No provision.	Limits the amount of losses that can be claimed by an individual, estate, trust, or partnership on Schedule F to $200,000 in cases where the taxpayer has received Agriculture Program Payments or CCC loans. Losses that are limited in a particular year may be carried forward to subsequent years. Effective for taxable years beginning after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
E.2. Increase and index dollar thresholds for farm optional method and nonfarm optional method for computing net earnings from self-employment (sec. 502 of the Senate amendment and sec. 1402(a) of the Code)	Self-employment income subject to the SECA tax is determined as the net earnings from self-employment. An individual may use one of three methods to calculate net earnings from self-employment. Under the generally applicable rule, net earnings from self-employment means gross income (including the individual's net distributive share of partnership income) derived by an individual from any trade or business carried on by the individual, less the deductions attributable to the trade or business that are allowed under the SECA tax rules. Alternatively, an individual may elect to use one of two optional methods for calculating net earnings from self-employment. These methods are: (1) the farm optional method; and (2) the nonfarm optional method. The farm optional method allows individuals to pay SECA taxes (and secure Social Security benefit coverage) when they have low net income or losses from farming. The nonfarm optional method is similar to the farm optional method.	No provision.	Modifies the farm optional method so that electing taxpayers may be eligible to secure four credits of Social Security benefit coverage each taxable year by increasing and indexing the thresholds. The provision makes a similar modification to the nonfarm optional method. Effective for taxable years beginning after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
E.3. Information reporting for commodity credit corporation transactions (sec. 12503 of the Senate amendment and new sec. 6039J of the Code)	The Farm Security and Rural Investment Act of 2002 authorizes a marketing assistance loan program through the Commodity Credit Corporation ("CCC"). Under such program, the CCC may make loans for eligible commodities at a specified rate per unit of commodity (the original loan rate). If a taxpayer uses cash or CCC certificates to repay a CCC loan, and the loan is repaid at a time when the repayment rate is less than the original loan rate, the difference between the original loan amount and the lesser repayment amount is market gain. For transactions after January 1, 2001, IRS Notice 2007-63 provides that the CCC reports market gain associated with the repayment of a CCC loan whether the taxpayer repays the loan with cash or uses CCC certificates in repayment of the loan. The CCC reports the market gain on Form 1099-G, Certain Government Payments.	No provision.	Codifies the requirements of IRS Notice 2007-63 providing that the CCC reports market gain associated with the repayment of a CCC loan, regardless of whether the taxpayer repays the loan with cash or uses CCC certificates in repayment of the loan. Effective for loans repaid on or after January 1, 2007.

Provision	Present Law	House Bill	Senate Amendment
E.4. Modification of section 1031 treatment for certain real estate (sec. 12504 of the Senate amendment and sec. 1031 of the Code)	An exchange of property, like a sale, generally is a taxable event. However, no gain or loss is recognized if property held for productive use in a trade or business or for investment is exchanged for property of a "like kind" that is to be held for productive use in a trade or business or for investment.	No provision.	Modifies section 1031 to disallow nonrecognition treatment for exchanges of subsidized agricultural real property for nonagricultural real property, unless the agricultural real property is permanently retired from farm program payments. For purposes of this provision, subsidized agricultural real property includes real property used as a farm for farming purposes and with respect to which a taxpayer receives, in the taxable year in which an exchange of such property takes place, certain agricultural program payments. Agricultural program payments as defined by this provision do not include conservation program payments. Effective for exchanges completed after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
E.5. Modification of effective date of leasing provisions of the American Jobs Creation Act of 2004 (sec. 12505 of the Senate amendment and sec. 470 of the Code)	Present law provides for the deferral of losses attributable to certain tax exempt use property, generally effective for leases entered into after March 12, 2004. The deferral provision does not apply to property located in the United States that is subject to a lease with respect to which a formal application: (1) was submitted for approval to the Federal Transit Administration (an agency of the Department of Transportation) after June 30, 2003, and before March 13, 2004; (2) was approved by the Federal Transit Administration before January 1, 2006; and (3) includes a description and the fair market value of such property (the "qualified transportation property exception").	No provision.	Changes the effective date of the loss deferral rules with respect to certain leases. Under the provision, the loss deferral rules also apply to leases entered into on or before March 12, 2004, if the lessee is a foreign person or entity. With respect to such leases, losses are deferred starting in taxable years beginning after December 31, 2006. Effective as if included in the provisions of the American Jobs Creation Act of 2004 to which it relates.

Provision	Present Law	House Bill	Senate Amendment
E.6. Modifications to corporate estimated tax payments (sec. 13003 of the House bill and sec. 12506 of the Senate amendment)	In general, corporations are required to make quarterly estimated tax payments of their income tax liability. For a corporation whose taxable year is a calendar year, these estimated tax payments must be made by April 15, June 15, September 15, and December 15. Under present law, in the case of a corporation with assets of at least $1 billion, the payments due in July, August, and September, 2012, are increased to 115.00 percent of the payment otherwise due and the next required payment shall be reduced accordingly.	Increases the required corporate estimated tax payments due for July, August and September 2012 by 1.25 percentage points. (The statutory language of this provision is no longer applicable as the result of legislation enacted after House passage of H.R. 2419.)	Increases the required corporate estimated tax payments due for July, August and September 2012 by 7.00 percentage points.

Provision	Present Law	House Bill	Senate Amendment
E.7. Denial of deduction for certain fines, penalties, and other amounts (sec. 12507 of the Senate amendment and sec. 162(f) of the Code)	Under present law, no deduction is allowed as a trade or business expense under section 162(a) for the payment to a government of a fine or similar penalty for the violation of any law (sec. 162(f)). Treasury regulations provide that a fine or similar penalty includes an amount: (1) paid pursuant to conviction or a plea of guilty or nolo contendere for a crime… (2) paid as a civil penalty imposed by Federal, State, or local law… (3) paid in settlement of the taxpayer's actual or potential liability for a fine or penalty (civil or criminal) … Compensatory damages paid to a government do not constitute a fine or penalty. There is a lack of clarity and consistency regarding the deductibility of payments in settlements and under certain final determinations.	No provision	Amounts paid or incurred (whether by suit, agreement, or otherwise) to, or at the direction of, a government in relation to the violation of any law, or the investigation or inquiry into the potential violation of any law which is initiated by such government, are nondeductible under any provision of the income tax provisions. Exceptions apply for restitution, property remediation, amounts paid to come into compliance, and certain other cases. Governments must report to IRS and taxpayers the amount and purpose of required payments. Effective for amounts paid or incurred on or after the date of enactment; however the provision does not apply to amounts paid or incurred under any binding order or agreement entered into before such date. Any order or agreement

Provision	Present Law	House Bill	Senate Amendment
			requiring court approval is not a binding order or agreement for this purpose unless such approval was obtained before the date of enactment.
E.8. Increase in Information Return Penalties (sec. 12508 of the Senate amendment and secs. 6721, 6722, and 6723 of the Code)	Under section 6721 of the Code, any person required to file a correct information return who fails to do so on or before the prescribed filing date is subject to a penalty that varies based on when, if at all, the correct information return is filed. Section 6722 of the Code also imposes penalties for failing to furnish correct payee statements to taxpayers. In addition, section 6723 imposes a penalty for failing to comply with other information reporting requirements.	No provision.	Increases the penalties for: failing to file correct information returns; failing to furnish correct payee statements; and failing to comply with other information reporting requirements. Effective with respect to information returns required to be filed on or after January 1, 2008.

Provision	Present Law	House Bill	Senate Amendment
E.9(a) Three-year Depreciation for All Race Horses (sec. 12509(a) of the Senate amendment and sec. 168 of the Code)	A taxpayer is allowed to recover, through annual depreciation deductions, the cost of certain property used in a trade or business or for the production of income. The amount of the depreciation deduction allowed with respect to tangible property for a taxable year is determined under the modified accelerated cost recovery system ("MACRS"). The class lives of assets placed in service after 1986 are generally set forth in Revenue Procedure 87-56. Any race horse that is more than two years old at the time it is placed is assigned a three-year recovery period. A seven year recovery period is assigned to any race horse that is two years old or younger at the time it is place in service.	No provision.	Provides a three year recovery period for any race horse. Effective for property placed in service on or after the date of enactment.
E.9(b) Reduction of holding period to 12 months for purposes of determining whether horses are section 1231 assets (sec. 12509(b) of the Senate amendment and section 1231 of the Code)	Under present law, gain from the sale or exchange of a horse held for draft, breeding, or sporting purposes qualifies for long-term capital gain treatment if the horse has been held for 24 months or more.	No provision.	Reduces the 24-month holding period for horses to 12 months. Effective for taxable years beginning after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
E.10(a) Increase in penalty for failure to file partnership returns (sec. 12511 of the Senate amendment and sec. 6698 of the Code)	Under present law, a partnership is required to file a tax return for each taxable year. The partnership's tax return is required to include the names and addresses of the individuals who would be entitled to share in the taxable income if distributed and the amount of the distributive share of each individual. In addition to applicable criminal penalties, present law imposes a civil penalty for the failure to timely file a partnership return. Generally, the penalty is $85 per partner for each month (or fraction of a month) that the failure continues, up to a maximum of five months. For returns required to be filed for taxable years beginning in 2008, the penalty is increased by $1 per partner.	No provision.	Increases the present-law failure to file penalty for partnership returns to $100 per partner times the number of shareholders in the partnership during any part of the taxable year for which the return was required, for each month (or a fraction of a month) during which the failure continues, up to a maximum of 12 months. The provision also provides that the Forms K-1 and other schedules, attachments, or lists relating to partners other than the requesting partner are not treated as part of the partnership return that is open to inspection by or disclosure to a partner of a partnership. A similar rule applies in the case of shareholders of an S corporation, and heirs at law, next of kin, and beneficiaries of an estate, and beneficiaries of a trust. Generally effective after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
E.10(b) Limitation on disclosure of partnership, S corporation and trust returns (sec. 12511 of the Senate amendment and sec. 6103 of the Code)	As a general rule, returns and return information are confidential and cannot be inspected or disclosed unless a specific exception applies (sec. 6103(a)). Present law provides that a return of a partnership, S corporation, estate, or trust is open to inspection by or disclosure to certain persons considered to have a material interest (sec. 6103(e)(1)). For this purpose, a return includes any amendment or supplement thereto, including supporting schedules, attachments, or lists that are supplemental to, or part of, the return (sec. 6103(b)(1)).	No provision.	The provision provides that the Forms K-1 relating to partners other than the requesting partner are not treated as part of the partnership return that is open to inspection by or disclosure to a partner of a partnership. A similar rule applies in the case of shareholders of an S corporation, and heirs at law, next of kin, and beneficiaries of an estate, and beneficiaries of a trust. The provision was enacted by section 8(c) of Pub. L. 110-142, the Mortgage Forgiveness and Debt Relief Act of 2007.

Provision	Present Law	House Bill	Senate Amendment
E.11. Option to treat elective deferrals as after-tax contributions (sec. 12512 of the Senate amendment and sec. 402A of the Code)	Plans qualified under Code section 401(a) and tax-sheltered annuities described in section 403(b) are permitted to include a Roth contribution program. As part of establishing a qualified Roth contribution program, an applicable retirement plan must establish a separate account, referred to as a designated Roth account, for the designated Roth contributions of each employee and any earnings on such contributions. In addition, the plan must maintain separate recordkeeping with respect to each account. Designated Roth contributions generally are includible in an employee's gross income. Qualified distributions from a designated Roth account are excludable from gross income.	No provision.	Governmental section 457(b) plans may include a qualified Roth contribution program under which plan participants are permitted to designate elective deferrals that could be otherwise deferred under the plan as Roth contributions subject to the present-law rules. Thus, as under present law, such a designated Roth contribution generally is includible in gross income in the year of deferral and a subsequent distribution of such contribution (and the income on such contribution) is excluded from gross income if the distribution is a qualified distribution. Similarly, the present-law separate accounting requirements apply to qualified Roth contribution programs permitted under the provision. Effective for taxable years beginning after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
E.12(a) Clarification of the economic substance doctrine (sec. 12521 of the Senate amendment and sec. 7701 of the Code)	Economic substance doctrine Courts have denied claimed tax benefits if the transaction that gives rise to those benefits lacks "economic substance." Courts have articulated different standards for determining whether "economic substance" is present. Certain reasonable cause defenses are available.	No provision.	If a court determines that the economic substance doctrine is relevant, then there is economic substance only if (1) the transaction changes in a meaningful way (apart from Federal income tax consequences) the taxpayer's economic position, and (2) the taxpayer has a substantial non-Federal-tax purpose for entering into such transaction. A purpose of obtaining accounting benefits that arise from a reduction of Federal taxes is not a non-Federal -tax purpose; nor is a purpose to obtain non-Federal tax benefits that arise from similarity to Federal law if the reduction of Federal taxes is greater or substantial co-extensive with the non-Federal tax reduction. If profit potential is relied upon, the present value of the reasonably expected pre-Federal-tax profit must be substantial in relation to the present value of the expected net Federal tax benefits. Foreign taxes are treated as expenses to the extent determined under regulations.

Provision	Present Law	House Bill	Senate Amendment
			Applies to transactions entered into after the date of enactment.
E.12(b) Penalty for understatements attributable to transactions lacking economic substance, etc. (sec. 12522 of the Senate amendment and new sec. 6662B of the Code)	An accuracy-related penalty under section 6662 applies to the portion of any underpayment that is attributable to (1) negligence, (2) any substantial understatement of income tax, (3) any substantial valuation misstatement, and certain other items. A separate 30-percent accuracy-related penalty under section 6662A 20-percent if transaction is adequately disclosed) applies to "listed transactions" and to "reportable transactions" with a significant tax avoidance purpose. This penalty is imposed on the amount of income reduction attributable to the transaction times the maximum rate of tax, without reduction for other loses or offsets. Certain reasonable cause defenses are generally available to the above penalties.	No Provision.	Imposes a new penalty for an understatement attributable to a transaction that lacks economic substance. The penalty rate is 30 percent (reduced to 20 percent if there is adequate disclosure). No exceptions are available (i.e., the penalty is a strict-liability penalty). IRS Chief Counsel (or branch chief level delegate) must approve penalty imposition; taxpayer must have opportunity to submit written opposition. Penalty imposed on the noneconomic substance income reduction amount, times the maximum tax rate, without reduction for other losses or offsets (similar to present law section 6662A for listed and reportable avoidance transaction amounts). Applies to transactions entered into after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
E.13. Denial of deduction for interest on underpayments attributable to noneconomic substance transactions (sec. 12523 of the Senate amendment and sec. 163 of the Code)	No deduction for interest is allowed for interest paid or accrued on any underpayment of tax which is attributable to the portion of any reportable transaction understatement with respect to which the relevant facts were not adequately disclosed. The Secretary of the Treasury is authorized to define reportable transactions for this purpose.	No provision.	Extends the disallowance of interest deductions to interest paid or accrued on any underpayment of tax which is attributable to any noneconomic substance underpayment (whether or not disclosed). Applies to transactions entered into after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G. Tax Benefits for Kansas Disaster Zone	No Provision	No provision.	<u>Definitions</u> For purposes of determining whether the temporary tax relief under this conference agreement is applicable, the term "Kansas Disaster Zone" means an area with respect to which a major disaster had been declared by the President under section 401 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of severe storms and tornados beginning on May 4, 2007 and determined by the President to warrant individual or individual and public assistance from the Federal Government under such Act with respect to damages attributed to such storms and tornados. Generally this area is Kiowa County Kansas and surrounding area.

Provision	Present Law	House Bill	Senate Amendment
G.1. Suspension of Certain Limitations on Personal Casualty Losses (sec. 12701(a) of the Senate amendment and section 1400S(b) of the Code)	Under present law, a taxpayer may generally claim a deduction for any loss sustained during the taxable year and not compensated by insurance or otherwise (sec. 165). For individual taxpayers, deductible losses must be incurred in a trade or business or other profit-seeking activity or consist of property losses arising from fire, storm, shipwreck, or other casualty, or from theft. Personal casualty or theft losses are deductible only if they exceed $100 per casualty or theft. In addition, aggregate net casualty and theft losses are deductible only to the extent they exceed 10 percent of an individual taxpayer's adjusted gross income.	No provision.	Provides the same relief for the "Kansas Disaster Zone" from the two limitations on personal casualty or theft losses which received relief in the case of Hurricanes, Katrina, Rita, and Wilma. Specifically, Kansas disaster zone casualty losses need not exceed $100 per casualty or theft. In addition, such losses are deductible without regard to whether aggregate net losses exceed 10 percent of a taxpayer's adjusted gross income. For purposes of applying the 10 percent threshold to other personal casualty or theft losses, Kansas disaster zone casualty losses are disregarded. Thus, such losses are effectively treated as a deduction separate from all other casualty losses.

Provision	Present Law	House Bill	Senate Amendment
G.2. Extension of replacement period for nonrecognition of gain (sec. 12701 of the Senate amendment and sec. 1033 of the Code)	Generally, a taxpayer realizes gain to the extent the sales price (and any other consideration received) exceeds the taxpayer's basis in the property. The realized gain is subject to current income tax unless the gain is deferred or not recognized under a special tax provision. Under section 1033, gain realized by a taxpayer from an involuntary conversion of property is deferred to the extent the taxpayer purchases property similar or related in service or use to the converted property within the applicable period The applicable period to replace the converted property begins with the date of the disposition of the converted property (or if earlier, the earliest date of the threat or imminence of requisition or condemnation of the converted property) and ends two years after the close of the first taxable year in which any part of the gain upon conversion is realized (the "replacement period").	No provision.	Extends from two to five years the replacement period in which a taxpayer may replace converted property, in the case of property that is in the Kansas disaster area and that is compulsorily or involuntarily converted on or after May 4, 2007, by reason of the May 4, 2007, storms and tornados. Substantially all of the use of the replacement property must be in this area. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G.3. Employee retention credit (sec. 12701 of the Senate amendment and sec. 1400R of the Code)	For employers affected by Hurricanes Katrina, Rita, or Wilma, section 1400R provides a credit of 40 percent of the qualified wages (up to a maximum of $6,000 in qualified wages per employee) paid by an eligible employer to an eligible employee.	No provision.	Extends the retention credit, as modified to include an employer size limitation, for employers affected by the Kansas storms and tornados. The retention credit for employers affected by the Kansas storms and tornados only applies to eligible employers who employed an average of not more than 200 employees on business days during the taxable year before May 4, 2007. Effective on the date of enactment.
G.4. Special Depreciation Allowance (sec. 12701 of the Senate amendment and sec. 1400N(d) of the Code)	For qualified Gulf Opportunity Zone property, the Code provides an additional first-year depreciation deduction equal to 50 percent of the adjusted basis.	No provision.	Provides an additional first-year depreciation deduction equal to 50 percent of the adjusted basis for qualified Recovery Assistance property. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G.5. Increase in expensing under section 179 (sec. 12701 of the Senate amendment and sec. 1400N(e) of the Code)	For qualified section 179 Gulf Opportunity Zone property, the maximum amount that a taxpayer may elect to deduct is increased by the lesser of $100,000 or the cost of qualified section 179 Gulf Opportunity Zone property for the taxable year. The provision applies with respect to qualified section 179 Gulf Opportunity Zone property acquired on or after August 28, 2005, and placed in service on or before December 31, 2007. This placed in service date was extended to December 31, 2008 for property substantially all of the use of which is in one or more specified portions of the GO Zone. The threshold for reducing the amount expensed is computed by increasing the $500,000 present-law amount by the lesser of (1) $600,000, or (2) the cost of qualified section 179 Gulf Opportunity Zone property placed in service during the taxable year. Neither the $100,000 nor $600,000 amounts are indexed for inflation.	No provision.	The maximum amount that a taxpayer may elect to deduct under section 179 is increased by the lesser of $100,000 or the cost of qualified section 179 Recovery Assistance property for the taxable year. The provision applies with respect to qualified section 179 Recovery Assistance property acquired on or after May 5, 2007, and placed in service on or before December 31, 2008. The threshold for reducing the amount expensed is computed by increasing the $500,000 present-law amount by the lesser of (1) $600,000, or (2) the cost of qualified section 179 Recovery Assistance property placed in service during the taxable year. Neither the $100,000 nor $600,000 amounts are indexed for inflation. Qualified section 179 Recovery Assistance property means section 179 property (as defined in section 179(d)) that meets addition requirements. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G.6. Expensing for certain demolition and clean-up costs (sec. 12701 of the Senate amendment)	A taxpayer is permitted a deduction for 50 percent of any qualified Gulf Opportunity Zone clean-up cost paid or incurred during the period beginning on August 28, 2005, and ending on December 31, 2007. The remaining 50 percent is capitalized and treated as described above. A qualified Gulf Opportunity Zone clean-up cost is an amount paid or incurred for the removal of debris from, or the demolition of structures on, real property located in the Gulf Opportunity Zone to the extent that the amount would otherwise be capitalized. In order to qualify, the property must be held for use in a trade or business, for the production of income, or as inventory.	No provision.	A taxpayer is permitted a deduction for 50 percent of any qualified Recovery Assistance clean-up cost paid or incurred during the period beginning on May 4, 2007, and ending on December 31, 2009. The remaining 50 percent is treated as under present law. A qualified Gulf Opportunity Zone clean-up cost is an amount paid or incurred for the removal of debris from, or the demolition of structures on, real property located in the Gulf Opportunity Zone to the extent that the amount would otherwise be capitalized. In order to qualify, the property must be held for use in a trade or business, for the production of income, or as inventory. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G.7. Treatment of Public utility property disaster losses (sec. 12701 of the Senate amendment and sec. 1400N(o) of the Code)	Section 1400N(o) provides an election for taxpayers who incurred casualty losses attributable to Hurricane Katrina with respect to public utility property located in the Gulf Opportunity Zone. Under the election, such losses may be taken into account in the fifth taxable year (rather than the 1st taxable year) immediately preceding the taxable year in which the loss occurred. If the application of this provision results in the creation or increase of a net operating loss for the year in which the casualty loss is taken into account, the net operating loss may be carried back or carried over as under present law applicable to net operating losses for such year.	No provision.	Provides an election for taxpayers who incurred casualty losses attributable to the Kansas storms and tornados with respect to public utility property located in the Kansas Disaster Zone. Under the election, such losses may be taken into account in the fifth taxable year (rather than the 1st taxable year) immediately preceding the taxable year in which the loss occurred. If the application of this provision results in the creation or increase of a net operating loss for the year in which the casualty loss is taken into account, the net operating loss may be carried back or carried over as under present law applicable to net operating losses for such year. The other definitions and rules that apply under section 1400N(o) shall apply to the losses claimed in the Kansas Disaster Zone. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G.8. Treatment of net operating losses attributable to storm losses (sec. 12701 of the Senate amendment and sec. 1400N(k) of the Code)	In general, a net operating loss ("NOL") may be carried back two years and carried over 20 years to offset taxable income in such years. Different rules apply with respect to NOLs arising in certain circumstances. A three-year carryback applies with respect to NOLs (1) arising from casualty or theft losses of individuals, or (2) attributable to Presidentially declared disasters for taxpayers engaged in a farming business or a small business. A five-year carryback applies to NOLs (1) arising from a farming loss (regardless of whether the loss was incurred in a Presidentially declared disaster area), or (2) certain amounts related to Hurricane Katrina and the Gulf Opportunity Zone. Special rules also apply to real estate investment trusts (no carryback), specified liability losses (10-year carryback), and excess interest losses (no carryback to any year preceding a corporate equity reduction transaction). Additionally, a special rule applies to certain electric utility companies.	No provision.	Provides rules in connection with certain net operating losses similar to the rules provided for Gulf Opportunity Zone losses under section 1400N(k). Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G.9. Representations regarding income eligibility for purposes of qualified residential rental project requirements (sec. 12701 of the Senate amendment and sec. 1400N(n) of the Code)	Subject to certain requirements, qualified private activity bonds may be issued to finance residential rental property or owner-occupied housing. Residential rental property may be financed with exempt facility bonds if the financed project is a "qualified residential rental project." A project is a qualified residential rental project if 20 percent or more of the residential units in such project are occupied by individuals whose income is 50 percent or less of area median gross income (the "20-50 test"). Alternatively, a project is a qualified residential rental project if 40 percent or more of the residential units in such project are occupied by individuals whose income is 60 percent or less of area median gross income (the "40-60 test"). The issuer must elect to apply either the 20-50 test or the 40-60 test. Operators of qualified residential rental projects must annually certify that such project meets the requirements for qualification, including meeting the 20-50 test or the 40-60 test.	No provision.	Under the provision, the operator of a qualified residential rental project may rely on the representations of prospective tenants displaced by reason of the severe storms and tornados in Kiowa County, Kansas and the surrounding area beginning on May 4, 2007 for purposes of determining whether such individual satisfies the income limitations for qualified residential rental projects and, thus, the project is in compliance with the 20-50 test or the 40-60 test. This rule only applies if the individual's tenancy begins during the six-month period beginning on the date when such individual was displaced. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
G.10. Use of retirement funds from retirement plans relating to the Kansas Disaster Zone (sec. 12701(10) of the Senate amendment and sec. 1400Q of the Code)	Section 1400Q provides special rules relating to the use of retirement funds in the case of individuals affected by certain hurricanes. Specifically, (1) the 10-percent early distribution tax does not apply to qualified hurricane distributions, (2) a qualified hurricane distribution (and certain other distributions relating to the purchase of a primary residence) may be recontributed to a retirement plan, (3) gross income attributable to a qualified hurricane distribution is included ratably over a three-year period, (4) certain rules that would otherwise restrict the ability of a plan to permit a distribution (and rules that require advance notice and withholding with respect to plan distributions) are made inapplicable to a qualified hurricane distribution; and (5) rules relating to the maximum amount and repayment term of plan loans are modified.	No provision.	Provides relief similar to the relief provided in section 1400Q with respect to use of retirement funds in connection with the tornadoes and storms that occurred in the Kansas Disaster Zone. Effective on the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
H.1. Treatment of amounts received in connection with the Exxon Valdez litigation (sec. 12801 of the Senate amendment)	Income averaging Individuals engaged in a farming business or fishing business may elect to average the taxable income attributable to the farming or fishing business over a 3-year period. Contributions to qualified retirement plans and IRAs The Code provides for the favorable tax treatment of a variety of retirement savings plans sponsored by employers for the benefit of employees, provided that such plans meet certain qualification requirements. Such plans are commonly referred to as qualified retirement plans. The Code also provides for two types of individual retirement accounts ("IRAs"): traditional IRAs and Roth IRAs.	No provision.	Income averaging Any qualified taxpayer receiving qualified settlement income in any taxable year shall be treated as if engaged in a fishing business, and the qualified settlement income shall be treated as income attributable to a fishing business for the taxable year for purposes of applying the income averaging rules applicable to farming and fishing income under section 1301. Contributions to retirement plans A qualified taxpayer who receives qualified settlement income during a taxable year may, at any time before the end of such year, make one or more contributions to an eligible retirement plan. Eligible retirement plans includes qualified retirement plans and IRAs. The amount that can be contributed under the provision (in aggregate for all taxable years) is the lesser of (1) the amount of qualified settlement income or (2) $100,000. Effective upon the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
H.2. Extend and modify the enhanced charitable deduction for contributions of food inventory (sec. 12802 of the Senate amendment and sec. 170 of the Code)	For certain contributions of inventory, C corporations may claim an enhanced charitable deduction equal to the lesser of (1) basis plus one-half of the item's appreciation (i.e., basis plus one-half of fair market value in excess of basis) or (2) two times basis to be eligible for the enhanced deduction. For contributions of "apparently wholesome food" inventory made before December 31, 2007, a special rule allowed such enhanced deduction to all taxpayers. For non C corporations, such deduction is allowed up to 10 percent of the taxpayer's aggregate net income for the taxable year from all trades or businesses from which such contributions were made for such year.	No provision.	Extends the special rule relating to the enhanced deduction for charitable contributions of food inventory to contributions made before January 1, 2010. In addition, the Senate amendment modifies the special rule to provide that, in calculating the enhanced deduction, taxpayers who do not account for inventories under section 471 and who are not required to capitalize indirect costs under section 263A are able to elect to treat the basis of the contributed food as being equal to 25 percent of the food's fair market value. Effective for contributions made after December 31, 2007.

Provision	Present Law	House Bill	Senate Amendment
H.3. Mileage reimbursements to charitable volunteers excluded from gross income (sec. 12803 of the Senate amendment and sec. 139B of the Code)	In determining the amount treated as a charitable contribution where a taxpayer operates a vehicle in providing donated services to a charity, the taxpayer either may deduct actual out-of-pocket expenditures or, in the case of a passenger automobile, may use the charitable standard mileage rate. The charitable standard mileage rate is set by statute at 14 cents per mile (sec. 170(i)). The taxpayer may also deduct (under either computation method), any parking fees and tolls incurred in rendering the services, but may not deduct any amount (regardless of the computation method used) for general repair or maintenance expenses, depreciation, insurance, registration fees, etc. Regardless of the computation method used, the taxpayer must keep reliable written records of expenses incurred. If the charitable standard mileage rate is not used to determine the deduction, the taxpayer generally must maintain reliable written records of actual expenses incurred.	No provision.	Excludes from gross income amounts received from an organization described in section 170(c) (including public charities and private foundations) as reimbursement of operating expenses incurred in using a passenger automobile for the benefit of such organization up to an amount that does not exceed the business standard mileage rate prescribed for business use (as periodically adjusted), provided that recordkeeping requirements applicable to deductible business expenses are satisfied. The exclusion applies only with respect to expenses incurred in providing volunteer services; the exclusion does not apply to expenses incurred in performing services for compensation. The Senate amendment does not permit a volunteer to claim a deduction or credit with respect to amounts excluded under the Senate amendment. Effective for taxable years beginning after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
H.4. Technical correction relating to contributions of appreciated property by S corporations (sec. 12804 of the Senate amendment and sec. 1368 of the Code)	The Pension Protection Act of 2006 enacted a provision relating to the tax treatment of contributions of appreciated property by S corporations.	No provision.	Makes a technical correction to the provision relating to contributions of appreciated property by an S corporation. The technical correction provides that the present-law basis limitation on the deduction of S corporation items does not apply to a contribution of appreciated property to the extent the shareholder's pro rata share of the contribution exceeds the shareholder's pro rata share of the adjusted basis of the property. The technical correction provision contained in the Senate amendment was enacted by the Tax Technical Correction Act of 2007.

Provision	Present Law	House Bill	Senate Amendment
H.5. Application of rehabilitation credit and depreciation schedules to certain low-income housing for the elderly (sec. 12806 of the Senate amendment)	In general The Tax Reform Act of 1986 generally provided for a less generous: (1) rehabilitation credit; and (2) depreciation schedule than did prior-law. Section 251(d)(4)(X) of the Tax Reform Act of 1986 (the "1986 Act") provided grandfather relief from the modifications to the rehabilitation credit and depreciation schedules preserving the pre-1986 Act benefits for a particular project. Low-income housing credit The low-income housing credit is not available to any building eligible for the pre-1986 Act depreciation schedule.	No provision.	Repeals section 251(d)(4)(X) of the Tax Reform Act of 1986 effective for property placed in service after the date of enactment. The statutory prohibition against eligibility for the low-income housing credit with respect to the property identified in sec. 251(d)(4)(X) of the 1986 Act will be eliminated.

Provision	Present Law	House Bill	Senate Amendment
H.6. Competitive certification awards modification authority (sec. 12807 of the bill and secs. 48A and 48B of the Code)	Qualifying advanced coal project credit An investment tax credit is available for power generation projects that use integrated gasification combined cycle ("IGCC") or other advanced coal-based electricity generation technologies. The credit amount is 20 percent for investments in qualifying IGCC projects and 15 percent for investments in qualifying projects that use other advanced coal-based electricity generation technologies. Qualifying gasification project credit A 20 percent investment tax credit is available for investments in certain qualifying coal gasification projects. Only property which is part of a qualifying gasification project and necessary for the gasification technology of such project is eligible for the gasification credit.	No provision.	Directs the Secretary, in implementing either section 48A (relating to the credit described above) or section 48B (relating to the coal gasification credit), to modify the terms of any competitive certification award and any associated closing agreements in certain cases. Specifically, modification is required when it (1) is consistent with the objectives of such section, (2) is requested by the recipient of the award, and (3) involves moving the project site to improve the potential to capture and sequester carbon dioxide emissions, reduce costs of transporting feedstock, and serve a broader customer base. However, no modification is required if the Secretary determines that the dollar amount of tax credits available to the taxpayer under the applicable section would increase as a result of the modification or such modification would result in such project not being originally certified. Effective for awards issued before, on, or after the date of enactment.

Provision	Present Law	House Bill	Senate Amendment
H.7. Qualified forestry conservation bonds (sec. 12808 of the Senate amendment and new secs. 54A and 54B of the Code)	As an alternative to tax-exempt bonds, the Code permits three types of tax-credit bonds. States and local governments have the authority to issue qualified zone academy bonds ("QZABS"), clean renewable energy bonds ("CREBS"), and "Gulf tax credit bonds."	No provision.	Creates a new category of tax-credit bonds, qualified forestry conservation bonds. Qualified forestry conservation bonds are bonds issued by qualified issuers to finance qualified forestry conservation projects. The term "qualified forestry conservation project" means the acquisition by a State or section 501(c)(3) organization from an unrelated person of forest and forest land that meets the following qualifications: (1) some portion of the land acquired must be adjacent to United States Forest Service Land; (2) at least half of the land acquired must be transferred to the United States Forest Service at no net cost and not more than half of the land acquired may either remain with or be donated to a State; (3) all of the land must be subject to a habitat conservation plan for native fish approved by the United States Fish and Wildlife Service; and (4) the amount of acreage acquired must be at least 40,000 acres. There is a national limitation on qualified forestry conservation bonds of $500 million.