

American Recovery and Reinvestment Act of 2009
Summary of Finance Provisions as Amended on the Floor through 2/7,
Plus Expected Elements of the Collins-Nelson Amendment

TITLE I TAX PROVISIONS

SUBTITLE A – TAX RELIEF FOR INDIVIDUALS AND FAMILIES

“Making Work Pay” Income Tax Credit: The proposal provides an individual tax credit in the amount of 6.2 percent of earned income not to exceed \$500 for single returns and \$1000 for joint returns in 2009 and 2010. *This proposal is estimated to cost \$139.8 billion over ten years.*

Temporary Suspension of Taxation of Unemployment Benefits: Under current law, all federal unemployment benefits are subject to taxation. The average unemployment benefit is approximately \$300 per month. The proposal temporarily suspends federal income tax on the first \$2,400 of unemployment benefits per recipient. Unemployment benefits over \$2,400 will be subject to federal income tax. This proposal is in effect for taxable year 2009. *This proposal is estimated to cost \$4.7 billion over ten years.*

Increase in Earned Income Tax Credit: The proposal expands the EITC to provide an increased credit for 3 or more children and an increase for married couples. *This proposal is estimated to cost \$4.7 billion over ten years.*

Increase Eligibility for the Refundable Portion of Child Credit: The proposal increases the eligibility for the refundable child tax credit in 2009 and 2010 by lowering the threshold to \$8,100. *This proposal is estimated to cost \$7.2 billion over ten years.*

American Opportunity Tax Credit: The proposal creates a \$2,500 higher education tax credit that is available for the first four years of college. The credit phases out for individual taxpayers with adjusted gross income of \$80,000 (\$160,000 married filing jointly). Thirty percent (30%) of the available credit is refundable. *This proposal is estimated to cost \$12.9 billion over ten years.*

Computers as Qualified Education Expenses in 529 Education Plans: The proposal provides that computers and computer technology qualify as qualified education expenses in 529 Education Plans. *This proposal is estimated to cost \$6 million over ten years.*

Homeownership Tax Credit: This proposal expands the current homeownership tax credit to \$15,000 and allows the credit for all home purchases (not just first-time home purchases). The amendment reduces the period required to hold the property without recapture from 36 months to 24 months, eliminates the income phase-out, and eliminates refundability. The credit can be claimed over two tax years. This provision is effective date of enactment and expires one year after date of enactment. *This proposal is estimated to cost \$35 billion over ten years.*

Transit Benefit: The proposal provides for equalization of the tax-free benefit employers can provide for transit and parking. The proposal sets both the parking and transit benefits at \$230 for 2009 and indexes them equally for 2010 and clarifies that certain transit benefits apply to federal employees. *This provision is estimated to cost \$192 million over ten years.*

Above-the-line Deduction for Automobiles: The amendment gives taxpayers an above-the-line deduction for interest expenses and State and local sales taxes paid on the purchase of a new automobile, including light trucks and SUVs. The proposal phases out starting with taxpayers earning \$125,000 per year (\$250,000 for joint returns). A taxpayer who claims this above-the-line deduction would also be allowed to claim the existing State and local sales tax itemized deduction. *This proposal is estimated to cost \$11 billion over ten years.*

Alternative Minimum Tax (AMT) Patch: Currently, a taxpayer receives an exemption of \$33,750 (individuals) and \$45,000 (married filing jointly) under the AMT. Current law also does not allow personal credits against the AMT. The proposal increases the exemption amounts to \$46,700 and \$70,950, respectively, and allows the personal credits against the AMT to hold the number of taxpayers subject to the AMT at bay. *The estimated cost of this proposal is \$70 billion over 10 years.*

SUBTITLE B – ENERGY INCENTIVES

Long-Term Extension and Modification of Renewable Energy Production Tax Credit: The proposal extends the placed-in-service date for wind facilities for three years (through December 31, 2012). The proposal also extends the placed-in-service date through December 31, 2013 for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; waste-to-energy; and marine renewable facilities. *This proposal is estimated to cost \$13.1 billion over 10 years.*

Temporary Election to Claim the Investment Tax Credit in Lieu of the Production Tax Credit: Under current law, facilities that produce electricity from solar facilities are eligible to take a thirty percent (30 percent) investment tax credit in the year the facility is placed in service. Facilities that produce electricity from wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities are eligible for a production tax credit, payable over a ten-year period. Because of current market conditions and the uncertain future tax positions of potential investors, it is difficult for many renewable projects to obtain financing. The proposal allows Section 45 property to receive the 30 percent investment tax credit under section 48 for the duration of the Section 45 extension, to 2012 (wind) and 2013 (other sources). *This proposal is estimated to cost \$218 million over 10 years.*

Business Energy Credit: The proposal removes the cap on the investment tax credit for small wind property and eliminates the current law basis reduction for subsidized energy financing. *This proposal is estimated to cost \$604 million over 10 years.*

Clean Renewable Energy Bonds (“CREBs”): The proposal authorizes an additional \$1.6 billion of clean renewable energy bonds to finance facilities that generate electricity from renewable resources. *This proposal is estimated to cost \$578 million over 10 years.*

Conservation Bonds: The proposal authorizes an additional \$2.4 billion for conservation bonds. *This proposal is estimated to cost \$803 million over 10 years.*

Energy-Efficient Existing Homes: The proposal increases the value of the energy-efficient existing homes credit to 30 percent for 2009 and 2010, modifies the standards for qualifying property, and sets the per-dwelling maximum for this period at \$1500 per taxpayer. The separate limitations on specific energy-efficient property are eliminated. *This proposal is estimated to cost \$1.9 billion over 10 years.*

Residential Energy Property: The proposal removes the \$2000 cap on the 30 percent credit for solar thermal and geothermal property, as well as the \$4000 cap on small wind property. The proposal also eliminates the current-law basis reduction for subsidized energy financing. *This proposal is estimated to cost \$268 million over 10 years.*

Vehicles: The proposal provides a 10 percent tax credit for 2-wheeled, 3-wheeled and low speed vehicles beginning for 2010 and 2011. The proposal also increases the number of vehicles sold in the U.S. under section 30D, the plug-in electric vehicles tax credit, from 250,000 vehicles sold to 500,000. *This provision is estimated to cost \$118 million over ten years.*

Smart Meters: The proposal temporarily modifies the depreciation schedule for smart meters, reducing the recovery period for this property from ten years to five years. This proposal is effective through 2010. *This proposal is estimated to cost \$22 million over ten years.*

Tax Credits for Alternative Fuel Pumps: The proposal increases the business credit for alternative refueling property from 30 percent (maximum \$30,000) to 50 percent (maximum \$50,000), and extends the credit for one year. The credit for individual alternative refueling property is doubled, to \$2000. The proposal also increases the cap on hydrogen refueling property to \$200,000, retaining its 30 percent cap. The proposal also requires that recharging stations eligible for the credit be interoperable with all electric vehicles. *This proposal is estimated to cost \$53 million over 10 years.*

Energy Research Credit: The proposal provides an enhanced 20 percent R&D credit in taxable years beginning in 2009 and 2010 for research expenditures incurred in the fields of fuel cells, energy storage, renewable energy, energy conservation technology, efficient transmission and distribution of electricity, and carbon capture and sequestration. *This proposal is estimated to cost \$18 million over 10 years.*

Carbon Capture and Sequestration: The proposal changes the monitoring and verification of the current law CO₂ capture and sequestration credit. The proposal requires the same monitoring and verification for the \$10/ton EOR credit as is required of the \$20/ton permanent storage credit. *This provision is estimated to have negligible revenue impact.*

SUBTITLE C – TAX INCENTIVES FOR BUSINESS

Extension of Bonus Depreciation: The proposal extends bonus depreciation for calendar year 2009. For 2008, a trade or business was allowed to depreciate an additional 50 percent of the cost of an asset placed into service in 2008. *This proposal is estimated to cost \$5.3 billion over ten years.*

Extension of Monetization of Accumulated AMT and R&D Credits in Lieu of Bonus Depreciation: This provision extends the provision contained in the Foreclosure Prevent Act of 2008 and allows AMT and loss taxpayers in 2009 to receive 20 percent of the value of their old AMT or research and development (R&D) credits to the extent such taxpayers invest in assets that qualify for bonus depreciation. The amount is capped at the lesser of six percent of outstanding and unused AMT and R&D credits or \$30 million. *This proposal is estimated to cost \$805 million over 10 years.*

Extension of Increase Small Business Expensing (Section 179): The proposal extends the increased expensing limits to 2009. For 2008, the expensing limits were increased to \$250,000 and the phase-out increased to \$800,000. *This proposal is estimated to cost \$41 million over ten years.*

Five-Year Carryback of Net Operating Losses: The proposal extends the carry back period for NOLs from 2 years to 5 years for NOLs arising in taxable years beginning or ending in 2008 and 2009. This provision does not apply to entities that received funding from TARP (Troubled Asset Relief Program). *This proposal is estimated to cost \$17.2 billion over ten years.*

Delayed Recognition of Certain Cancellation of Debt Income: Certain businesses will be allowed to recognize CODI over 8 years (no tax in 2009 and 2010) for specified types of business debt repurchased by the business with cash after December 31, 2008 and before January 1, 2011. *This proposal is estimated to cost \$813 million over ten years.*

Incentives to Hire Unemployed Veterans and Disconnected Youth: The proposal adds unemployed veterans and disadvantaged youth as qualified target groups for the Work Opportunity Tax Credit (WOTC). *This proposal is estimated to cost \$320 million over ten years.*

Small Business Capital Gains: The provision allows a 75 percent exclusion for individuals on the gain from the sale of certain small business stock held for more than five years. This change is for stock issued after the date of enactment and before January 1, 2011. *This provision is estimated to cost \$829 million over ten years.*

S Corp Holding Period: The proposal temporarily shortens the holding period of assets subject to the built-in gains tax from 10 years to seven years. *This provision is estimated to cost \$415 million over ten years.*

Repeal of Section 382 Treasury Regulations: Under section 382, the ability of a loss company to use its losses is limited where there has been a change of ownership in excess of 50 percent. Congress designed section 382 to prevent companies from trafficking in losses. On September 30, 2008, Treasury issued Notice 2008-83, which allows unlimited use of losses when a financial institution is acquired. The proposal repeals Treasury Notice 2008-83 prospectively, as of January 16, 2009. *This provision is estimated to raise \$6.977 billion over ten years.*

Acceleration of Low Income Housing Tax Credit: The proposal accelerates low income housing tax credits (LITHCs) to allow investors to claim 20 percent of the allowable credits in each of the first three years and the remaining 40 percent over the next six years. *This proposal costs \$2 billion over ten years.*

Executive Bonuses for TARP Recipients: The proposal requires companies that participated in the TARP and paid 2008 bonuses to their directors and officers of greater than \$120,000, to buy back their stock from the government in an amount equal to the excess bonuses (total of bonus payments over \$120,000 per individual). Failure to buy back the stock within 120 days or when a future excess bonus payment is made will result in a 35 percent excise tax on the corporation. *This provision is estimated to raise \$3.2 billion over ten years.*

SUBTITLE D – MANUFACTURING RECOVERY PROVISIONS

Industrial Development Bonds: The proposal modernizes certain tax exempt qualified small issue bonds or industrial development bonds (IDBs) for facilities that create or manufacture intangible property. The proposal also clarifies which physical components of any given facility are eligible for such tax exempt financing. *This proposal is estimated to cost \$203 million over ten years.*

Plug-in Manufacturing and Retooling Incentive: The proposal provides a manufacturer investment and retooling incentive, by allowing 100 percent expensing on domestic plug-in vehicle and component manufacturing through 2011, and 50 percent expensing from 2012 through 2014. *A final score on this proposal is still pending.*

Advanced Energy Investment Credit: The proposal establishes a new 30 percent investment tax credit for facilities engaged in the manufacture of advanced energy property. Advanced energy property includes, but is not limited to, the investment in facilities that produce ‘advanced energy property’, including renewable power equipment, smart grid technology, carbon capture and storage equipment, energy storage, energy conservation, efficient transmission and distribution of electricity, and carbon capture and sequestration. In determining which advanced energy projects to certify, the Secretary of Treasury, in consultation with the Department of Energy, will consider a variety of criteria including: commercial viability; job creation; greatest net impact on greenhouse gas emissions; newness of technology; and fastest project time to completion. This credit is unavailable to taxpayers who receive the Energy Research Credit. *This proposal is estimated to cost \$1.4 billion over 10 years.*

SUBTITLE E – ECONOMIC RECOVERY TOOLS

Recovery Zone Bonds: The proposal would create a new category of tax credit bonds and an additional allocation of private activity bonds for investment in economic recovery zones. The proposal authorizes \$5 billion in recovery zone economic development bonds and \$10 billion in recovery zone facility bonds. These bonds are allocated based on a State’s unemployment and may be issued during 2009 and 2010. *This proposal is estimated to cost \$2.9 billion over 10 years.*

Tribal Economic Development Bonds: Under current law, tribal governments can only issue tax-exempt bonds for “essential government functions.” The proposal temporarily allows tribal governments to issue \$2 billion of tax-exempt bonds for projects without this restriction in order to spur economic development on tribal lands, and requires the Secretary of the Treasury to study this modification. *This proposal is estimated to cost \$315 million over 10 years.*

High-Speed Rail Bonds: Under current law, qualifying high-speed intercity rail facilities must reasonably be expected to operate at speeds in excess of 150 miles per hour between scheduled stops. The proposal changes the definition of qualifying high-speed intercity rail facilities in section 142 such that qualifying facilities must reasonably expect to achieve a top speed in excess of 150 miles per hour. *This provision is estimated to cost \$288 million over ten years.*

Increase in New Markets Tax Credit: The proposal would authorize an additional \$1.5 billion for the 2008 allocation round and an additional \$1.5 billion for the 2009 allocation round. Tax credits for the 2009 allocation round would be allowed against the alternative minimum tax. *This proposal is estimated to cost \$1.05 billion over 10 years.*

Broadband Tax Credit: The proposal creates a tiered investment tax credit for broadband infrastructure. The proposal provides a 10 percent credit for current generation broadband in underserved and rural areas, and a 20 percent credit for current generation broadband in unserved areas. The proposal also provides a 20 percent credit for next generation broadband investment. *This provision is estimated to cost \$110 million over ten years.*

SUBTITLE F – INFRASTRUCTURE FINANCING TOOLS

Modification to the Rules for Tax-Exempt Interest Expense Relating to Financial Institutions: Under current law, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. However, bonds issued by a "qualified small issuer" are not taken into account as investments in tax-exempt municipal bonds. Qualified small issuers are issuers that reasonably anticipate that the amount of tax-exempt obligations (other than certain private activity bonds) will not exceed \$10 million. The proposal changes the determination of the portion of interest expense that is allocable to investments in tax-exempt municipal bonds by excluding investments in tax-exempt municipal bonds issued during 2009 and 2010 to the extent that these investments constitute less than two percent (2 percent) of the average adjusted bases of all the assets of the financial institution. In addition, the proposal increases the small issuer exception to \$30 million and applies the \$30 million calculation at the ultimate borrower level if the ultimate borrower would separately qualify for the exception. *These proposals are estimated to cost \$3.2 billion over 10 years.*

Eliminate Costs Imposed on State and Local Governments by the Alternative Minimum Tax: The proposal eliminates the tax exempt interest on tax exempt private activity bonds as a preference item of the alternative minimum tax. *This proposal is estimated to cost \$481 million over ten years.*

One Year Delay of Implementation of Three Percent Withholding on Government Contractors: The proposal delays for one year the implementation of the provision enacted in 2005 that would require three percent withholding on payments made by government entities after December 31, 2010. *This proposal is estimated to cost is \$291 million over ten years.*

Qualified School Construction Bonds: The proposal creates a tax credit bond to fund new construction of schools. The proposal allocates \$5 billion for each of 2009 and 2010. The proposal also provides a specific allocation of \$200 million for Indian schools for each of those years. *This proposal is estimated to cost \$4.5 billion over ten years.*

Extension and Increase in Authorization of Qualified Zone Academy Bonds (QZABs):

The proposal extends the QZAB program to 2010. The proposal also allocates \$1.4 billion for 2009 and 2010. *This proposal is estimated to cost \$1 billion over 10 years.*

Build America Bonds: The proposal provides State and local governments with a new tax credit bond option for infrastructure projects. The proposal allows the State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit. *This proposal is estimated to cost \$4.8 billion over ten years.*

SUBTITLE G – ECONOMIC RECOVERY PAYMENTS TO CERTAIN INDIVIDUALS

Economic Recovery Payment to Recipients of Social Security, SSI, Railroad Retirement and Veterans Disability Compensation or Pension Benefits: The proposal provides a one-time payment of \$300 to retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, and Railroad Retirement Beneficiaries. The proposal also provides a one-time payment of \$300 to disabled veterans receiving benefits from the US Department of Veterans' Affairs. *This proposal is estimated to cost \$16.7 billion over ten years.*

SUBTITLE H – TRADE

Extension of the Trade Adjustment Assistance (TAA) Programs for Two Years: The TAA for Workers program provides extended income support and training benefits for workers who lose their jobs because of increased imports or factory shifts to certain countries. The TAA for Firms program helps prevent layoffs entirely by assisting trade-distressed companies retool and become more competitive. Chairman Baucus – along with Senator Grassley, Chairman Rangel, and Rep. Camp – continue to work together on a robust, efficient, bipartisan expansion of Trade Adjustment Assistance. *This proposal is estimated to cost \$108 million.*

Duty Refund Recollection: This proposal prohibits U.S. Customs and Border Protection (CBP) from demanding that U.S. lumber, steel, and other companies repay duties that CBP collected on Canadian and Mexican imports, and then distributed to the companies between 2001 and 2005. *This proposal is estimated to cost \$90 million over ten years.*

TITLE II ASSISTANCE FOR UNEMPLOYED WORKERS AND FAMILIES

UNEMPLOYMENT INSURANCE (\$40 BILLION)

Extension of Emergency Unemployment Compensation Program through December 2009: The proposal provides an additional 20 weeks of unemployment benefits and in high unemployment states an additional 33 weeks of benefits. *This provision is estimated to cost \$26.96 billion.*

Increase in Unemployment Compensation Benefits: This proposal increases unemployment weekly benefits by an additional \$ 25. *This provision is estimated to cost \$8.8 billion*

Unemployment Compensation Modernization: This proposal:

- Provides \$500 million for administrative costs to be shared by all states
- Provides one-third of the allotted funds (based on a formula) to states that allow workers to count more recent wages by adopting the Alternative Base Period
- Distributes remaining two-thirds funding to states that adopt two of the following reforms: coverage for Part-time work, coverage for compelling family reasons, training for dislocated workers, and/or Dependent allowances which can be capped at state option.

These provisions are estimated to cost \$2.63 billion.

Temporary Assistance to States with Advances: This proposal temporarily waives interest payments and the accrual in interest on loans received by state unemployment trust funds through December 31, 2010. *This provision is estimated to cost \$1.1 billion.*

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF)

TANF Emergency Contingency Fund through 2010: This proposal creates the TANF Emergency Contingency Fund for two years to provide states with relief during this recession. *This provision is estimated to cost \$2.339 billion.*

Extension of TANF Supplemental Grants through FY 2010: This proposal provides additional assistance to qualifying states with high population growth and/or increased poverty at the same amount of award in FY 2010 as in FY 2009. *This provision is estimated to cost \$319 million.*

TANF Carryover Funds: This proposal permits carry-over funds to be used for any TANF benefit or service. *There is no cost for this provision.*

Child Support Enforcement (CSE): This proposal amends the Deficit Reduction Act of 2005 to repeal the cuts to child support enforcement funding for two years. *This provision is estimated to cost \$1.15 billion.*

TITLE III HEALTH INSURANCE ASSISTANCE

Premium subsidies available for COBRA Continuation Coverage for unemployed workers: This proposal provides a 50 percent COBRA premium subsidy for eligible workers for 12 months. The subsidy will be administered by Treasury through mechanism that allows employers (or health plans if they administer COBRA benefits) to receive a credit against payroll taxes. *This provision is estimated to cost \$20 billion.*

Transitional Medical Assistance (TMA): This proposal extends TMA through December 31, 2010 (current program expires June 30). *This provision is estimated to cost \$1.323 billion.*

Qualified Individual (QI) program: This proposal extends the QI program through December 31, 2010 (current program expires December 31). *This provision is estimated to cost \$550 million.*

Indian Health provisions from IHCA: This proposal eliminates cost-sharing for Americans Indians and Alaska Natives in Medicaid. *This provision is estimated to cost \$19 million.*

Prompt Payment Requirements for Nursing Facilities: This proposal applies prompt pay requirements to nursing facilities in Medicaid. *This provision is estimated to cost \$380 million.*

TITLE IV HEALTH INFORMATION TECHNOLOGY

Adoption and Use of Health Information Technology: This proposal:

- Invests in the adoption and use of health IT systems by health care providers who serve Medicare and Medicaid patients.
- Provides temporary bonus payments to meaningful users of certified health IT; phases-in Medicare payment penalties for non-adopters starting in 2014.
- Allows Critical Access Hospitals (CAHs) to receive up to \$1.5 million in total Medicare bonus payments
- Achieves 90 percent adoption rate for physicians and 70 percent for hospitals.

These provisions are estimated to cost \$16 billion.

Medicare Payments for Teaching Hospitals: The proposal would block a FY09 Medicare payment reduction to teaching hospitals related to capital payments for indirect medical education (IME). *This provision is estimated to cost \$191 million.*

TITLE V STATE FISCAL RELIEF

Temporary FMAP increase: This proposal provides an increase in federal Medicaid matching payments (FMAP) as follows:

- Funding distributed for a 27-month period beginning 10/1/2008 through 12/31/2010
- Across-the-board increase to all states of 7.6 percent and corresponding increase for territories
- Bonus structure (in addition to across-the-board increase) in the form of a decrease in the State share based on increase in the unemployment rate
 - Bonus does not apply to DSH
 - Bonus applied against state share after both hold harmless and across-the-board increase
- Maintenance of effort on eligibility

These provisions are estimated to cost \$86.7 billion.

Low Disproportionate Share Hospitals (DSH): The proposal extends the Medicare Modernization Act (MMA) provision allowing DSH states to receive increase payment through the first quarter of the FY 2011. *This provision is estimated to cost \$390 million.*

Special Disability Workload Compensation to the States: The proposal instructs CMS and SSA to work with the states to reach agreement on a compensation for each state related to the Special Disability Workload. These states paid for medical care through Medicaid for disabled individuals that should have been covered by Medicare for which the federal government would have paid. *This provision is estimated to cost \$3 billion.*