

**LEGISLATIVE BACKGROUND OF EXPIRING  
FEDERAL TAX PROVISIONS  
2011-2022**

Scheduled for a Public Hearing  
Before the  
SENATE COMMITTEE ON FINANCE  
On January 31, 2012

Prepared by the Staff  
of the  
JOINT COMMITTEE ON TAXATION



January 27, 2012  
JCX-6-12

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## INTRODUCTION

This document,<sup>1</sup> prepared by the staff of the Joint Committee on Taxation, provides legislative background for Federal tax provisions (other than those providing time-limited transition relief after the repeal of an underlying rule) that are currently scheduled to expire in 2011-2022 (with references to the applicable section of the Internal Revenue Code of 1986 (the “Code”) or other applicable law). Expiring Federal tax provisions providing temporary disaster relief are separately listed in Part II of the document.

For purposes of compiling this list, the staff of the Joint Committee on Taxation considers a provision to be expiring if, at a statutorily specified date, the provision expires completely or reverts to the law in effect before the present-law version of the provision. Certain provisions terminate on dates that refer to a taxpayer’s taxable year and not a calendar year. For these provisions, the expiration dates listed in this document apply with respect to calendar year taxpayers. The expiration dates of such provisions may differ, however, with respect to fiscal year taxpayers or taxpayers with short taxable years. Years in which there are no expiring provisions are not listed in the document.

The legislative background provided for each expiring provision includes:

- A brief description of the provision,
- The public law in which the provision was originally enacted with the original expiration date,
- A brief description of substantial modifications to the provision, if any, and
- The public law in which the provision was most recently extended, if any, with the current expiration date.

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *Legislative Background of Expiring Federal Tax Provisions 2011-2022* (JCX-6-12), January 27, 2012. This document can be found on the Joint Committee on Taxation website at [www.jct.gov](http://www.jct.gov).

## **I. FEDERAL TAX PROVISIONS<sup>2</sup> EXPIRING 2011-2022**

### **A. Provisions Expired December 31, 2011<sup>3</sup>**

#### **1. First-time homebuyer credit for individuals on qualified official extended duty outside the United States (sec. 36(h)(3)) (Expired April 30, 2011)<sup>4</sup>**

- An individual who serves on qualified official extended duty service outside the United States for at least 90 days during the period beginning after December 31, 2008, and ending before May 1, 2010, who is a first-time homebuyer is allowed a refundable tax credit of up to \$8,000.
- The provision was originally enacted in the Worker, Homeownership, and Business Assistance Act of 2009, Pub. L. No. 111-92, effective for residences purchased after November 30, 2009, and through April 30, 2011.
- The provision has never been extended.

#### **2. Federal Unemployment Tax Act (“FUTA”) surtax of 0.2 percent (sec. 3301(1)) (Expired June 30, 2011)**

- The surtax provides a temporary increase of 0.2 percent of the Federal unemployment tax rate from 6.0 to 6.2 percent.
- The temporary increase of 0.2 percent was enacted as part of the Tax Equity and Fiscal Responsibility Act of 1982, Pub. L. No. 97-248. It was to remain in effect until certain then outstanding general revenue loans were repaid.
- The most recent extension of the temporary increase, through June 30, 2011, was enacted as part of the Worker, Homeownership and Business Assistance Act of 2009, Pub. L. No. 111-92.

#### **3. Credit for certain nonbusiness energy property (sec. 25C(g))**

- This provision allows a credit of 10 percent of the expenditures on energy efficient improvements to the building envelope (windows, doors, skylights, roofs) of principal residences, and credits of fixed dollar amounts ranging from \$50 to \$300 for energy efficient property including furnaces, boilers, biomass stoves, heat pumps, water heaters, central air conditioners and circulating fans is available for property placed in service before January 1, 2012. It is subject to a lifetime cap of \$500.

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<sup>2</sup> Not including temporary disaster relief Federal tax provisions, which are listed in Part II.

<sup>3</sup> The expiration dates of provisions that expired in 2011 on a date other than December 31, 2011 are specifically indicated.

<sup>4</sup> In the case of a written binding contract entered into before May 1, 2011, to close on the purchase of a principal residence before July 1, 2011, the purchase must close before July 1, 2011.

- The provision was first enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for property placed in service after December 31, 2005 and before January 1, 2008.
- The provision was substantially modified in the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, with the principal change being an increase in the credit amounts to 30 percent of expenditures on all qualifying property, up to a \$1,500 aggregate credit over two years for 2009 and 2010. This modification was not included in the most recent extension of the provision.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for property placed in service through December 31, 2011.

**4. Personal tax credits allowed against regular tax and alternative minimum tax (“AMT”) (sec. 26(a)(2))**

- The provision allows personal tax credits against the regular tax and the alternative minimum tax.<sup>5</sup>
- The provision was originally enacted by the Tax and Trade Relief Extension Act of 1998, Pub. L. No. 105-277, for taxable years beginning during 1998.
- The provision was extended most recently by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through taxable years beginning during 2011.

**5. Credit for electric drive motorcycles, three-wheeled vehicles, and low-speed vehicles (sec. 30(f))**

- A 10 percent credit (up to \$2,500) is available through 2011 for vehicles otherwise qualifying as plug-in electric-drive vehicles, but for the fact that they have limited speed or less than four wheels. Two- and three-wheeled vehicles must have a battery capacity of at least 2.5 kilowatt-hours.
- The provision was enacted as part of the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, through December 31, 2011.
- The provision has never been extended.

**6. Conversion credit for plug-in electric vehicles (sec. 30B(i)(4))**

- A 10-percent credit (up to \$4,000) is available through 2011 for used vehicles that have been converted into plug-in electric drive motor vehicles.
- The provision was enacted as part of the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, through December 31, 2011.

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<sup>5</sup> See also the provision relating to the increased AMT exemption amount (sec. 55(d)(1)) that expired December 31, 2011.

- The provision has never been extended.

**7. Credit for alternative fuel vehicle refueling property (non-hydrogen refueling property) (sec. 30C(g)(2))<sup>6</sup>**

- A 30-percent credit is available through 2011 (2014 for hydrogen refueling property) for property that dispenses alternative fuels, including ethanol, biodiesel, natural gas, hydrogen, and electricity. The credit may not exceed \$30,000 per location for business property and \$1,000 for property installed at a principal residence.
- The provision was enacted as part of the Energy Policy Act of 2005, Pub. L. No. 109-58, and was originally set to expire after December 31, 2009.
- For 2009 and 2010, the credit rate for non-hydrogen refueling property was increased to 50 percent. During this period, the maximum credit amount was increased to \$50,000 per location for business property and \$2,000 for property installed at a principal residence. The changes were made by the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act 2010, Pub. L. No. 111-312, for property placed in service on or before December 31, 2011.

**8. Expansion of adoption credit and adoption assistance programs (secs. 36C and 137 and sec. 10909(c) of Pub. L. No. 111-148 as amended by section 101(b) of Pub. L. No. 111-312)**

- Generally a taxpayer is allowed a credit against tax for qualified adoption expenses paid or incurred by a taxpayer subject to a maximum credit amount per eligible child.<sup>7</sup> Additionally, an exclusion (phased-out for high-income taxpayers) from the gross income of an employee is allowed for qualified adoption expenses paid or reimbursed by an employer under an adoption assistance program. For taxable years beginning in 2010 and 2011, the adoption credit was refundable under the expansion. For 2011, the maximum exclusion was \$13,360, and in 2012 it is reduced to \$12,650.
- The expansion was enacted in the Patient Protection and Affordable Care Act, Pub. L. No. 111-148 as amended by section 101(b) of Pub. L. No. 111-312, and expired on December 31, 2011.
- The provision has never been extended.

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<sup>6</sup> The related provision of section 30C for hydrogen refueling property expires December 31, 2014.

<sup>7</sup> The related provisions for the adoption credit and adoption assistance exclusion (secs. 23 and 137 and sec. 901 of Pub. L. No. 107-16) expire December 31, 2012.

**9. Incentives for alcohol fuels (secs. 40(e)(1)(A), (h)(1), and (h)(2), and secs. 6426(b)(6) and 6427(e)(6)(A))**

- a. Alcohol fuels income tax credit (alcohol fuel, alcohol used to produce a qualified mixture, and small ethanol producers) (secs. 40(e)(1)(A), (h)(1), and (h)(2))
  - b. Alcohol fuel mixture excise tax credit and outlay payments (secs. 6426(b)(6) and 6427(e)(6)(A))
- The alcohol fuels credit is the sum of four credits: (1) the alcohol mixture credit (\$0.60 per gallon of alcohol that is not ethanol (\$0.45 for ethanol) used by the taxpayer in the production of a qualified alcohol mixture), (2) the alcohol credit (\$0.60 per gallon of alcohol that is not ethanol (\$0.45 for ethanol) for alcohol that is not in a mixture with gasoline or a special fuel), (3) the small ethanol producer credit (10 cents per gallon for up to 15 million gallons of ethanol produced by small producers) and (4) the cellulosic biofuel producer credit (a provision expiring December 31, 2012 that is discussed separately). The alcohol mixture credit also may be taken as an excise tax payment or credit.
  - The Energy Tax Act of 1978, Pub. L. No. 95-618, provided that gasohol (a blend of gasoline and ethanol) was eligible to receive a partial excise tax exemption. The Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, introduced an income tax credit for small ethanol producers and reduced the credit for ethanol to 54 cents per gallon. The Transportation Equity Act for the 21st Century, Pub. L. No. 105-178, provided for a reduction in the ethanol-related credits (other than small ethanol producer) starting at 53 cents per gallon in 2001 and declining to 51 cents per gallon by 2005. The American Jobs Creation Act of 2004, Pub. L. No. 108-357, eliminated the partial exemption from the gas tax for various gasohol blends and replaced it with the Volumetric Ethanol Excise Tax Credit (“VEETC”) and payment provisions based on the gallons of ethanol used. The incentives were to expire December 31, 2010. The Food, Conservation, and Energy Act of 2008, Pub. L. No. 110-246, reduced the ethanol-related credits (other than small ethanol producer) to 45 cents per gallon beginning in calendar year 2009.
  - The alcohol fuel incentives were most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

**10. Incentives for biodiesel and renewable diesel (secs. 40A, 6426(c)(6), and 6427(e)(6)(B))**

- a. Income tax credits for biodiesel fuel, biodiesel used to produce a qualified mixture, and small agri-biodiesel producers (sec. 40A)
- b. Income tax credits for renewable diesel fuel and renewable diesel used to produce a qualified mixture (sec. 40A)
- c. Excise tax credits and outlay payments for biodiesel fuel mixtures (secs. 6426(c)(6) and 6427(e)(6)(B))

- d. Excise tax credits and outlay payments for renewable diesel fuel mixtures  
(secs. 6426(c)(6) and 6427(e)(6)(B))

#### Biodiesel

- The biodiesel fuels credit is the sum of three credits: (1) the biodiesel mixture credit (\$1.00 per gallon of biodiesel used by the taxpayer in the production of a qualified biodiesel mixture), (2) the biodiesel credit (\$1.00 per gallon of biodiesel that is not in a mixture with diesel fuel), and (3) the small agri-biodiesel producer credit (10 cents per gallon for up to 15 million gallons of agri-biodiesel produced by small producers). The credits may be taken as income tax credits and the biodiesel mixture credit may be taken as an excise tax payment or credit.
- The biodiesel provision was enacted in the American Jobs Creation Act, Pub. L. No. 108-357, and originally expired on December 31, 2006.
- The provision was subsequently modified and extended by Energy Tax Incentives Act of 2005, Pub. L. No. 109-58, which added small agri-biodiesel producer income tax credit and extended the incentives through December 31, 2008. The provision was amended by the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, which equalized credit for biodiesel and agri-biodiesel at \$1.00, clarified that fuel produced outside the U.S. for use outside the U.S. was ineligible for the credit, and extended the incentives through December 31, 2009.
- The biodiesel provisions were most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### Renewable diesel

- Renewable diesel is treated the same as biodiesel for purposes of the Code, except there is no small producer credit.
- The renewable diesel provision was added by the Energy Tax Incentives Act of 2005, Pub. L. No. 109-58, and was limited to fuel made using a thermal depolymerization process and was originally to expire December 31, 2008.
- The Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, removed the requirement that renewable diesel be made using a thermal depolymerization process, gave the Secretary to approve fuel standards equivalent to the requirements of American Society of Testing Materials (“ASTM”) D975 or D396 for purpose of renewable diesel, provided that military jet fuel and ASTM aviation turbine fuel qualified as renewable diesel and provided that renewable diesel could not be coprocessed with a feedstock that is not biomass as defined in section 45K(c)(3) (e.g., crude oil) and extended the incentive through December 31, 2009.
- The renewable diesel provisions were most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

## **11. Tax credit for research and experimentation expenses (sec. 41(h)(1)(B))**

- Under the provision, a taxpayer can claim a research credit equal to 20 percent of the amount by which the taxpayer's qualified research expenses exceeded a base amount. The base amount reflects past research expenditures incurred during a fixed period, so the research credit is generally available with respect to incremental increases in qualified research. Under the provision, an alternative simplified credit calculation is available in lieu of the traditional research credit at a 14 percent credit rate. The alternative simplified credit uses a three-year rolling base period and is only partially incremental. With some limitations, the research credit is available for both in-house and contract research expenses. Generally, qualified research comprises processes of experimentation conducted in the United States (including U.S. possessions) aimed at developing new or improved business components of the taxpayer. Research does not qualify if it relates to style, taste, cosmetic, or seasonal design factors. In addition, research does not qualify if it (1) was conducted after the beginning of commercial production of a business component, (2) related to the adaptation or duplication of certain existing business components, or (3) related to certain efficiency surveys, market research, management techniques, routine data collection, or routine quality control. Under the provision, additional research credits are available with respect to qualified energy research and university basic research under different credit structures.
- The provision was enacted in the Economic Recovery Tax Act of 1981, Pub. L. No. 97-34, and provided for a research tax credit for amounts paid or incurred on or before December 31, 1985. The credit has been extended fourteen times since then, although it was allowed to expire from July 1, 1995, through June 30, 1996.
- The most recent major modification was the creation of the alternative simplified credit by the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for amounts paid or incurred on or before December 31, 2011.

## **12. Placed-in-service date for facilities eligible to claim the refined coal production credit (other than refined coal facilities that produce steel industry fuel) (sec. 45(d)(8))**

- A \$4.375-per-ton credit (adjusted for inflation from 1992; \$6.33 per ton for 2011)<sup>8</sup> is available for the production of refined coal, defined as a synthetic fuel produced from coal (including lignite) or high-carbon fly ash that when burned emits 20 percent less nitrogen oxide and 40 percent less sulfur dioxide or mercury compared to feedstock coal available in 2003. The credit is available during the 10-year period from the date the facility was placed in service. For facilities placed in service prior to January 1, 2009, qualifying refined coal is a fuel that, when burned, emits 20 percent less

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<sup>8</sup> Section 45(e)(2) requires the Secretary of the Treasury to determine and publish the 2012 inflation-adjusted credit rate by April 1, 2012.



nitrogen oxides and either sulfur dioxide or mercury than the burning of feedstock coal or comparable coal predominantly available in the marketplace as of January 1, 2003, but only if the fuel sells at prices at least 50 percent greater than the prices of the feedstock coal or comparable coal. To be qualified refined coal, the taxpayer must sell the fuel with the reasonable expectation that it will be used for the primary purpose of producing steam. Qualified facilities may not be placed in service after 2011.

- The provision was enacted as part of the American Jobs Creation Act of 2004, Pub. L. No. 108-357, and was originally set to expire for facilities placed in service after December 31, 2008.
- From October 2, 2008 through December 31, 2009, a separate refined coal credit equal to \$2 per barrel-of-oil equivalent (adjusted for inflation from 1992; \$2.77 for 2008) was available for certain qualified facilities that produced steel industry fuel (defined as a fuel produced through a process of liquefying coal waste sludge, distributing the liquefied product on coal, and using the resulting mixture as a feedstock for the manufacture of coke). The steel industry fuel credit was added by the Energy Improvement and Extension Act of 2008, Pub. L. No. 110-343.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act 2010, Pub. L. No. 111-312, through December 31, 2011.

### **13. Indian employment tax credit (sec. 45A(f))**

- The provision allows a credit to employers against income tax liability for the first \$20,000 of qualified wages and qualified employee health insurance costs paid or incurred by the employer with respect to certain employees. The credit is equal to 20 percent of the excess of eligible employee qualified wages and health insurance costs incurred during the current year over the amount of such wages and costs incurred by the employer during 1993. The credit is an incremental credit, such that an employer's current-year qualified wages and qualified employee health insurance costs (up to \$20,000 per employee) are eligible for the credit only to the extent that the sum of such costs exceeds the sum of comparable costs paid during 1993. No deduction is allowed for the portion of the wages equal to the amount of the credit or for amounts incurred after December 31, 2011.
- The provision was enacted in the Omnibus Reconciliation Act of 1993, Pub. L. No. 103-66, and did not apply to taxable years beginning after December 31, 2003.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

### **14. New markets tax credit (sec. 45D(f)(1))**

- A federal income tax credit is allowed in the aggregate amount of 39 percent of qualified investments in order to attract private capital to promote economic and

community development in low-income communities. The credit is allowed over seven years, five percent in each of the first three years and six percent in each of the next four years. In general, the credit is allowed to a taxpayer who makes a “qualified equity investment” in a “qualified community development entity” (“CDE”) which further invests in a “qualified active low-income community business. The credit is recaptured if the entity fails to continue to be a CDE or the interest is redeemed within seven years.

- The provision was originally enacted in the Community Renewal Tax Relief Act of 2000, Pub. L. No. 106-554, for investments made after December 31, 2000, and \$15 billion of new market tax credit authority was allocated through 2007.
- In 2005, an additional \$1 billion of credits was allocated for qualified areas affected by Hurricane Katrina over a period of three years in the Gulf Opportunity Zone Act of 2005, Pub. L. No. 109-135. In 2006 and again in 2008, another \$3.5 billion was allocated in the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, and in the Tax Extenders and Alternative Minimum Tax Relief, Div. C of Pub. L. No. 110-343. In 2009, an additional \$3 billion of credits was allocated to be split equally between the 2008 (retroactively) and 2009 allocations in the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312. This act provided for an allocation limit of \$3.5 billion in each of 2010 and 2011 and extended for two years, through 2016, the carryover period for unused new markets tax credits.

#### **15. Credit for certain expenditures for maintaining railroad tracks (sec. 45G(f))**

- A business tax credit is allowed for 50 percent of qualified railroad track maintenance expenditures paid or incurred in the taxable year by an eligible taxpayer. The credit is limited to the product of \$3,500 times the number of miles of railroad track owned or leased by the eligible taxpayer as of the close of its taxable year. An eligible taxpayer is (1) any Class II or Class III railroad and (2) any person that transports property using the rail facilities of a Class II or Class III railroad or that furnishes railroad-related property or services to such person.
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, for qualified railroad track maintenance expenditures paid or incurred during taxable years beginning after December 31, 2004, and before January 1, 2008.
- The provision was most recently extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for qualified railroad track maintenance expenditures paid or incurred during taxable years beginning before January 1, 2012.

#### **16. Credit for construction of new energy efficient homes (sec. 45L(g))**

- A credit of \$1,000 or \$2,000 per home (depending on efficiency standard met) is provided to the contractor or manufacturer for each certified energy efficient new home acquired from the contractor or manufacturer before January 1, 2012.
- The provision was first enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for new homes constructed in 2006 and 2007.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### **17. Credit for energy efficient appliances (sec. 45M(b))**

- A credit ranging from \$25 to \$225 (depending on year, type of appliance and efficiency standard met) is provided to the producer of energy efficient dishwashers, clothes washers, and refrigerators produced by January 1, 2012.
- The provision was originally enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for appliances produced in 2006, 2007, and 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### **18. Mine rescue team training credit (sec. 45N)**

- The mine rescue training credit is a general business credit available with respect to each qualified mine rescue team employee employed by the taxpayer equal to the lesser of: (1) 20 percent of the amount paid or incurred by the taxpayer during the taxable year with respect to the training program costs of each qualified mine rescue team employee (including the wages of the employee while attending the program); or (2) \$10,000.
- The provision was enacted in the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, and was effective for tax years beginning after December 31, 2005 and on or before December 31, 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for taxable years beginning on or before December 31, 2011.

#### **19. Employer wage credit for activated military reservists (sec. 45P)**

- Qualified small business employers may take a credit against their income tax liability for up to 20 percent of certain wage payments made to active duty members of the uniformed services of the United States.

- The provision was enacted in the Heroes Earnings Assistance and Relief Tax Act of 2008, Pub. L. No. 110-245, effective for amounts paid after date of enactment (June 17, 2008) through December 31, 2009.
- The provision was extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for eligible wages paid through December 31, 2011.

**20. Grants for specified energy property in lieu of tax credits (sec. 48(d) and sec. 1603 of Pub. L. No. 111-5)**

- A production tax credit is available for electricity produced certain renewable resources during the 10-year period beginning after a qualified wind power facility has been placed in service. The credit rate for 2011 is 2.2 cents per kilowatt-hour of power produced at qualified closed-loop and geothermal facilities, and 1.1 cents per kilowatt-hour for power produced at open-loop biomass, small irrigation power, municipal solid waste, marine/hydrokinetic, and certain hydropower facilities. A 10-percent investment credit is available for equipment placed in service that produces, uses, or distributes energy from geothermal deposit. A 10-percent credit is also available through 2016 for geothermal heat pump, microturbine, and combined heat and power property placed in service. A 30-percent investment credit is available through 2016 for solar electric/solar hot water (drops to 10 percent after 2016), fuel cell, and small wind property. In general, taxpayers may elect to claim a grant in lieu of these credits equal to 30 percent of the capital costs in the case of property eligible for the production credit or the 30-percent investment tax credit and 10 percent of the capital costs in the case of property eligible for the 10-percent investment credit. To be eligible to make this election, construction on a qualified facility must have begun before January 1, 2012.
- The election to claim a grant in lieu of certain energy tax credits was enacted as part of the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, and was originally scheduled to expire after December 31, 2010.
- The election to claim a grant in lieu of certain energy tax was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act 2010, Pub. L. No. 111-312, to include qualified facilities the construction of which began before January 1, 2012.

**21. Work opportunity tax credit (sec. 51(c)(4))<sup>9</sup>**

- The work opportunity tax credit (“WOTC”) was enacted to replace the Targeted Jobs Tax Credit, and it provides a credit to employers for wages paid or incurred in a taxable year to individuals who are members of a targeted group.

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<sup>9</sup> The work opportunity tax credit targeted to hiring qualified veterans expires December 31, 2012.

- The provision was enacted in the Small Business Job Protection Act of 1996, Pub. L. No. 104-188, for wages paid or incurred to a qualified individual who began work for an employer before October 1, 1997.
- The provision was most recently extended, in part, by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011. However, the VOW to Hire Heroes Act of 2011, Pub. L. No. 112-56 extended and modified WOTC with respect only to certain unemployed veterans through December 31, 2012.

## **22. Qualified zone academy bonds: allocation of bond limitation (sec. 54E(c)(1))**

- Qualified zone academy bonds (“QZABs”) are tax credit bonds issued by State or local governments. At least 95 percent of the proceeds of these bonds must be used in a qualified public school for the following purposes: renovating, providing equipment, developing course materials for use at, or training teachers or other personnel. Private entities must have promised to contribute property or services equal to at least 10 percent of the bond proceeds for the bonds to be qualified.
- QZABs were enacted in the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, and were extended several times to provide \$400 million annual authorizations from 1998 through 2007.
- The American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, increased the annual allocation by \$1 billion (from \$400 million to \$1.4 billion) for allocations in 2009 and 2010, and the Hiring Incentives to Restore Employment Act, Pub. L. No. 111-147, added a direct subsidy payment option for these allocations.
- The provision was most recently extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for an allocation of \$400 million in 2011, with no direct subsidy payment option.

## **23. Increased AMT exemption amount (sec. 55(d)(1))<sup>10</sup>**

- The permanent individual AMT exemption amount is \$45,000 for a married couple filing a joint return and \$33,750 for a single person.
- The AMT exemption amount was first increased on a temporary basis by the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2004.
- The increased exemption amount was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, that provided an AMT exemption amount for taxable years beginning in

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<sup>10</sup> The related provision allowing personal tax credits against regular tax and AMT (sec. 26(a)(2)) expired December 31, 2011.

2011 of \$74,450 for a married couple filing a joint return and \$48,450 for a single person.

**24. Deduction for certain expenses of elementary and secondary school teachers (sec. 62(a)(2)(D))**

- Eligible educators are allowed an above-the-line deduction of up to \$250 for unreimbursed amounts paid or incurred in connection with books, certain supplies, computer equipment (including related software and services) and other equipment, and supplementary materials used in the classroom.
- The provision was enacted in the Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, and originally expired on December 31, 2003.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for costs incurred through December 31, 2011.

**25. Parity for exclusion from income for employer-provided mass transit and parking benefits (sec. 132(f))**

- Qualified transportation fringe benefits provided by an employer through transit passes and vanpooling can be excluded from an employee's income up to a statutory maximum of \$100 a month (\$125 for 2012, as adjusted for inflation). The amount that can be excluded for transit passes and vanpooling has been temporarily raised to provide parity for these benefits with employer-provided parking benefits, which are excludable up to an amount of \$175 a month (\$240 for 2012, as adjusted for inflation).
- The provision was enacted in the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, effective for months beginning on or after the date of enactment (February 12, 2009) and before January 1, 2011.
- The provision was extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for months beginning before January 1, 2012.

**26. Treatment of military basic housing allowances under low-income housing credit (sec. 142(d))**

- In order to be financed with exempt facility bonds or to be eligible for the low-income housing credit, a qualified low-income building must be part of a qualified low-income housing project. Under the provision, for certain buildings located in certain countries, the basic housing allowance provided by the military (i.e., payments under 37 U.S.C. sec. 403) is not included in income for the low-income credit income eligibility rule.
- The provision was enacted in the Housing and Economic Recovery Act of 2008, Pub. L. No. 110-289, for determinations made after July 30, 2008, and through December 31, 2011.

- The provision has never been extended.

**27. Premiums for mortgage insurance deductible as interest that is qualified residence interest (sec. 163(h)(3))**

- Premiums paid or accrued for qualified mortgage insurance by a taxpayer during the taxable year in connection with acquisition indebtedness on a principal residence or second home of the taxpayer is treated as if it were deductible qualified residence interest. The deduction is phased out for taxpayers with adjusted gross income over \$100,000 (\$50,000 if married filing separately).
- The provision was enacted in the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, with respect to mortgage contracts issued after December 31, 2006, effective for amounts paid or accrued after December 31, 2006, through December 31, 2007, that are properly allocable to periods on or before that date.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for amounts paid or accrued on or before December 31, 2011, that are properly allocable to periods on or before that date.

**28. Deduction for State and local general sales taxes (sec. 164(b)(5))**

- At the election of a taxpayer, an itemized deduction may be taken for State and local sales taxes in lieu of the itemized deduction for State and local income taxes.
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, and originally expired December 31, 2005.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, to State and local general sales taxes paid or incurred in taxable years beginning before January 1, 2012.

**29. 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements (secs. 168(e)(3)(E)(iv), (v), (ix), 168(e)(7)(A) and (e)(8))**

- a. Qualified leasehold improvements (sec. 168(e)(3)(E)(iv))
  - This provision provides a statutory 15-year recovery period (using the straight-line method and a half-year convention) for qualified leasehold improvement property. Qualified leasehold improvement property is defined as any improvement to an interior portion of a building that is nonresidential real property, provided certain requirements are met. The improvement must be made under or pursuant to a lease either by the lessee (or sublessee), or by the lessor, of that portion of the building to be occupied exclusively by the lessee (or sublessee). The improvement must be placed in service more than three years after the date the building was first placed in service. Qualified leasehold improvement property does not include any

improvement for which the expenditure was attributable to the enlargement of the building, any elevator or escalator, any structural component benefiting a common area, or the internal structural framework of the building. Qualified leasehold improvement property is eligible for bonus depreciation.

- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, for qualified leasehold improvement property placed in service after the effective date of the Act (October 22, 2004) and before January 1, 2006.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for qualified leasehold improvement property placed in service before January 1, 2012.

b. Qualified restaurant buildings and improvements (secs. 168(e)(3)(E)(v) and (e)(7)(A))

- This provision provides a statutory 15-year recovery period (using the straight-line method and a half-year convention) for qualified restaurant property. Qualified restaurant property is defined as any section 1250 property that is a building or an improvement to a building, if more than 50 percent of the building's square footage is devoted to the preparation of, and seating for on-premises consumption of, prepared meals. Additionally, qualified restaurant property is not eligible for bonus depreciation, unless it also meets the definition of qualified leasehold improvement property (see Rev. Proc. 2011-26).
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, for qualified restaurant property placed in service after the effective date of the Act (October 22, 2004) and before January 1, 2006.
- The provision was extended and modified by the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Pub. L. No. 110-343, which repealed the rule for qualified improvements made to restaurant property within the first three years of the life of the building and excluded qualified restaurant property from bonus depreciation for property placed in service after December 31, 2008 and before January 1, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for qualified restaurant property placed in service after the effective date of the Act and before January 1, 2012.

c. Qualified retail improvements (secs. 168(e)(3)(E)(ix) and (e)(8))

- This provision provides a statutory 15-year recovery period (using the straight-line method and a half-year convention) for qualified retail improvement property. Qualified retail improvement property is defined as any improvement to an interior portion of a building which is nonresidential real property if such portion is open to the general public and is used in the retail trade or business of selling tangible personal property to the general public, and such improvement is placed in service



more than three years after the date the building was first placed in service. Qualified retail improvement property does not include any improvement for which the expenditure is attributable to the enlargement of the building, any elevator or escalator, or the internal structural framework of the building. In the case of an improvement made by the owner of such improvement, the improvement is a qualified retail improvement only so long as the improvement is held by such owner. Additionally, qualified retail improvement property is not eligible for bonus depreciation, unless it also meets the definition of qualified leasehold improvement property (see Rev. Proc. 2011-26).

- The provision was enacted in the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Pub. L. No. 110-343, for qualified retail improvements placed in service after December 31, 2008 and before January 1, 2010.
- The provision was extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for qualified retail improvement property placed in service before January 1, 2012.

### **30. Seven-year recovery period for motorsports entertainment complexes (sec. 168(i)(15) and 168(e)(3)(C)(ii))**

- The provision assigns a recovery period of seven years for a motorsports entertainment complex placed in service prior to January 1, 2012. A motorsports entertainment complex is a racing track facility (including ancillary facilities, land improvements, support facilities, and appurtenances associated with such facilities) which is permanently situated on land and which hosts a racing event within 36 months of its placed-in-service date.
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, and expired for property placed in service after December 31, 2007.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for property placed in service on or before December 31, 2011.

### **31. Accelerated depreciation for business property on an Indian reservation (sec. 168(j)(8))**

- This provision provides accelerated depreciation for “qualified Indian reservation property” defined as property: (1) used by the taxpayer predominantly in the active conduct of a trade or business within an Indian reservation; (2) not used or located outside the reservation on a regular basis; (3) not acquired (directly or indirectly) by the taxpayer from a person who is related to the taxpayer; and (4) not property placed in service for purposes of conducting gaming activities. Certain “qualified infrastructure property” may be eligible for the accelerated depreciation even if located outside an Indian reservation, provided that the purpose of such property is to connect with qualified infrastructure property located within the reservation (e.g., roads, power lines, water systems, railroad spurs, and communications facilities). The depreciation deduction allowed for regular tax purposes is also allowed for purposes of the alternative minimum tax.

- The provision was enacted in the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, for property placed in service after December 31, 1993 and before January 1, 2004.
- The provision was modified by the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, which clarified the definition of “Indian reservation” and made such language generally effective as if included in the Omnibus Budget Reconciliation Act of 1993.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for business property on an Indian reservation placed in service before January 1, 2012.

**32. Additional first-year depreciation for 100 percent of basis of qualified property (sec. 168(k)(5))<sup>11</sup>**

- The provision expands the additional first-year depreciation from 50 percent to 100 percent of the cost of qualified property.
- The provision was enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for qualified property placed in service after September 8, 2010, and before January 1, 2012 (before January 1, 2013 for certain longer-lived and transportation property).
- The provision has never been extended.

**33. Special rules for contributions of capital gain property made for conservation purposes (secs. 170(b)(1)(E) and 170(b)(2)(B))**

- 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) generally are deductible up to 30 percent of an individual taxpayer’s contribution base and up to 10 percent of a corporate taxpayer’s taxable income (as defined in section 170(b)(2)(C)). The provision generally increases the applicable percentage limit to 100 percent in the case of a qualified conservation contribution by a qualified farmer or rancher and permits taxpayers to carry forward excess contributions for up to 15 years. For an individual taxpayer who is not a qualified farmer or rancher, the provision generally permits an increase in the applicable percentage limit to 50 percent.
- The provision was enacted in the Pension Protection Act of 2006, Pub. L. No. 109-280, for taxable years beginning before January 1, 2008.

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<sup>11</sup> As discussed in connection with the provision expiring December 31, 2012 relating to additional first-year depreciation for 50 percent of basis of qualified property (secs. 168(k)(1) and (2)), the 50 percent additional first year depreciation deduction (which is effective after December 31, 2011) expires December 31, 2012 (December 31, 2013 for certain longer-lived and transportation property).

- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for taxable years beginning before January 1, 2012.

#### **34. Enhanced charitable deduction for contributions of food inventory (sec. 170(e)(3)(C))**

- A taxpayer's deduction for a charitable contribution of inventory generally is limited to the lesser of the taxpayer's basis (typically, cost) in the inventory and the fair market value of the inventory. For certain contributions of inventory that satisfy various statutory requirements, C corporations (but not other taxpayers engaged in a trade or business) may claim an enhanced deduction equal to the lesser of (1) basis plus one-half of the item's appreciation or (2) two times basis. Under the provision, any taxpayer, whether or not a C corporation, engaged in a trade or business generally is eligible to claim the enhanced deduction for certain contributions of food inventory.
- The provision was enacted in the Katrina Emergency Tax Relief Act of 2005, Pub. L. No. 109-73, for contributions made before January 1, 2006.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for contributions made before January 1, 2012.

#### **35. Enhanced charitable deduction for contributions of book inventories to public schools (sec. 170(e)(3)(D))**

- A taxpayer's deduction for a charitable contribution of inventory generally is limited to the lesser of the taxpayer's basis (typically, cost) in the inventory and the fair market value of the inventory. For certain contributions of inventory, C corporations may claim an enhanced deduction equal to the lesser of (1) basis plus one-half of the item's appreciation or (2) two times basis. To qualify, the property generally must be inventory of the taxpayer contributed to a charitable organization described in section 501(c)(3) (except for private nonoperating foundations), and must meet certain other statutory requirements. Under the provision, a corporate taxpayer may claim the enhanced deduction for a qualified book contribution to a public school, regardless of whether the school is described in section 501(c)(3). A qualified book contribution means a charitable contribution of books to a public school that provides elementary education or secondary education (kindergarten through grade 12) and that meets certain other statutory requirements.
- The provision was enacted in the Katrina Emergency Tax Relief Act of 2005, Pub. L. No. 109-73, for contributions made before January 1, 2006.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for contributions made before January 1, 2012.

### **36. Enhanced charitable deduction for corporate contributions of computer equipment for educational purposes (sec. 170(e)(6))**

- A taxpayer's deduction for a charitable contribution of inventory generally is limited to the taxpayer's basis (typically, cost) in the inventory, or if less the fair market value of the inventory. For certain contributions of inventory, C corporations may claim an enhanced deduction equal to the lesser of (1) basis plus one-half of the item's appreciation or (2) two times basis. To qualify, the property generally must be inventory of the taxpayer contributed to a charitable organization described in section 501(c)(3) (except for private non-operating foundations), and must meet certain other statutory requirements. Under the provision, a corporate taxpayer may claim the enhanced deduction for a qualified computer contribution, regardless of whether the donee organization is described in section 501(c)(3). A qualified computer contribution means a charitable contribution of computer technology or equipment that meets several statutory requirements, including that the contribution must be to certain education organizations or public libraries and must be made not later than three years after the taxpayer acquired the property (or if the taxpayer constructed or assembled the property, the date construction or assembly of the property is substantially completed).
- The provision was enacted in the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, for contributions made in taxable years beginning before January 1, 2000.
- The provision was subsequently modified and extended by the Community Renewal Tax Relief Act of 2000, Pub. L. No. 106-554, which added public libraries as eligible donees, added a special rule for donations of property reacquired by a manufacturer, and made other modifications. The provision was further modified by the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, which provided that contributions of property assembled by the taxpayer, in addition to property constructed by the taxpayer, is eligible for the enhanced deduction for qualified computer contributions.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for contributions made in taxable years beginning before January 1, 2012.

### **37. Increase in expensing to \$500,000/\$2,000,000 and expansion of definition of section 179 property (secs. 179(b)(1) and (2) and 179(f))**

- Subject to certain limitations, a taxpayer that invests in certain qualifying property may elect under section 179 to deduct on a current basis (or "expense") the cost of qualifying property up to \$25,000, rather than to recover such costs through depreciation deductions over time. The \$25,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds \$200,000 ("the phase-out amount"). The \$25,000 and \$200,000 amounts are not indexed for inflation. In general, qualifying property is defined as depreciable tangible personal property that is purchased for use in the active conduct of a trade or business (and off-the-shelf computer software placed in service after 2002 and before 2013). For taxable years beginning after 2009 and

before 2012, the maximum amount that a taxpayer could expense was \$500,000 and the phase-out amount was \$2,000,000. The \$500,000 and \$2,000,000 amounts are not indexed for inflation. For 2012, the maximum amount a taxpayer may expense and the phase-out amount is \$125,000 and \$500,000, respectively. The \$125,000 and \$500,000 amounts are indexed for inflation. The provision in section 179(c)(2) permits taxpayers to make or revoke expensing elections on amended tax returns without the consent of the Commissioner with respect to any taxable year beginning after 2002 and before 2013 (other elections are irrevocable except with consent of the Commissioner).

- The Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-127, increased the relevant section 179 amount to \$100,000, indexed annually for inflation, but only for taxable years beginning after 2002 and before 2006.
- The provision was modified in the Small Business and Work Opportunity Tax Act of 2007, Pub. L. No. 110-28, to increase the maximum amount a taxpayer may expense to \$125,000 and to increase the phase-out threshold amount to \$500,000 for taxable years beginning in 2007 through 2010. The amounts were indexed for inflation in taxable years beginning after 2007 and before 2011. The provision was again modified in the Economic Stimulus Act of 2008, Pub. L. No. 110-185, to temporarily increase the maximum amount and phase-out threshold amount for taxable years beginning in 2008 to \$250,000 and \$800,000, respectively. These amounts were not indexed for inflation. The Creating Small Business Jobs Act of 2010, Pub. L. No. 111-240, increased the maximum amount to \$500,000 and increased the phase-out threshold amount to \$2 million for taxable years beginning in 2010 and 2011.
- The provision was modified by The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, which kept the 2011 limitation at \$500,000 and increased the section 179 limitation for 2012 to \$125,000. For 2013 and all subsequent years, the relevant dollar limitation will be \$25,000.

### **38. Election to expense advanced mine safety equipment (sec. 179E(a))**

- The provision allows a taxpayer to elect to treat 50 percent of the cost of any qualified advanced mine safety equipment property as an expense in the taxable year in which the equipment is placed in service.
- The provision was enacted by the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, for costs paid or incurred after December 20, 2006 and before December 31, 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for property placed in service before January 1, 2012.

### **39. Special expensing rules for certain film and television productions (sec. 181(f))**

- This provision allows taxpayers to elect to deduct up to \$15 million of the aggregate cost (\$20 million if a significant amount of the production expenditures are incurred in areas eligible for designation as a low-income community or eligible for designation by the Delta Regional Authority as a distressed county or isolated area of distress) of any qualifying film and television production in the year the expenditure was incurred in lieu of capitalizing the cost and recovering it through depreciation allowances. A qualified film or television production means any production of a motion picture (whether released theatrically or directly to video cassette or any other format) or television program if at least 75 percent of the total compensation expended on the production was for services performed in the United States by (as originally enacted) actors, directors, producers, and other relevant production personnel.
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, for qualified film and television productions that commenced after the effective date of the Act and before January 1, 2009.
- The Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Pub. L. No. 110-343, modified the definition of qualified compensation to apply to the services of actors, production personnel, directors, and producers, and extended the provision through December 31, 2009.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for qualified film and television productions that commenced before January 1, 2012.

### **40. Expensing of environmental remediation costs (sec. 198(h))**

- The provision allows a taxpayer to elect to treat certain environmental remediation expenditures incurred in connection with the abatement or control of hazardous substances at a qualified contaminated site that would otherwise be chargeable to capital account as deductible in the year paid or incurred.
- The provision was enacted in the Tax Relief Act of 1997, Pub. L. No. 105-34, for eligible expenditures paid or incurred after August 5, 1997 and before January 1, 2001.
- The provision was amended to expand the definition of qualified contaminated site to include any site containing (or potentially containing) a hazardous substance that is certified by the appropriate State environmental agency in 2000, Pub. L. No. 106-554.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for expenditures paid or incurred on or before December 31, 2011.

**41. Deduction allowable with respect to income attributable to domestic production activities in Puerto Rico (sec. 199(d)(8))**

- The provision provides that for a taxpayer with gross receipts from sources within the Commonwealth of Puerto Rico, all of which receipts are taxable under the U.S. individual or corporate income tax, the section 199 deduction for income attributable to domestic production activities is available in respect of otherwise qualifying activities undertaken in Puerto Rico.
- The provision was enacted in the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, and originally expired on December 31, 2007.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

**42. Above-the-line deduction for qualified tuition and related expenses (sec. 222(e))**

- An individual is allowed an above-the-line deduction for qualified tuition and related expenses for higher education paid by the individual during the taxable year. The maximum deduction is \$4,000 for taxpayers with adjusted gross income of \$65,000 or less (\$130,000 for joint filers) and \$2,000 for taxpayers with adjusted gross income above \$65,000 (\$130,000 for joint filers) but less than or equal to \$80,000 (\$160,000 for joint filers). No deduction is allowed for taxpayers with adjusted gross income above \$80,000 (\$160,000 for joint filers).
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and originally expired on December 31, 2005.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

**43. Tax-free distributions from individual retirement plans for charitable purposes (sec. 408(d)(8))**

- In general, the provision allows an exclusion from gross income for otherwise taxable distributions from a traditional or Roth individual retirement arrangement (“IRA”) in the case of qualified charitable distributions. The exclusion may not exceed \$100,000 per taxpayer per taxable year. A qualified charitable distribution generally is any distribution from an IRA directly by the IRA trustee to an organization described in section 170(b)(1)(A) (generally, public charities), other than a supporting organization or a donor advised fund. Distributions are eligible for the exclusion only if made on or after the date the IRA owner attains age 70-1/2 and only to the extent the distribution would be includible in gross income (without regard to the provision). Other statutory requirements apply.
- The provision was enacted in the Pension Protection Act of 2006, Pub. L. No. 109-280, for distributions made in taxable years beginning before January 1, 2008.

- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for distributions made in taxable years beginning before January 1, 2012. The 2010 Act included a special rule permitting taxpayers to elect to have qualified charitable distributions made in January 2011 treated as having been made on December 31, 2010, for certain purposes.

**44. Special rule for sales or dispositions to implement Federal Energy Regulatory Commission (“FERC”) or State electric restructuring policy (sec. 451(i))**

- The provision allows a taxpayer who is a qualified electric utility to elect to recognize gain from a qualifying electric transmission transaction ratably over an eight-year period beginning in the year of sale if the amount realized from such sale is used to purchase exempt utility property within the applicable period.
- The provision was enacted as part of the American Jobs Creation Act of 2004, Pub. L. No. 108-357, and was effective for transactions occurring between October 23, 2004 and December 31, 2007.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for transactions occurring on or before December 31, 2011.

**45. Modification of tax treatment of certain payments to controlling exempt organizations (sec. 512(b)(13)(E))**

- In general, organizations exempt from Federal income tax are subject to tax on income derived from a regularly carried on trade or business that is not substantially related to the performance of the organization’s tax-exempt functions (“unrelated business taxable income” or “UBTI”). In general, UBTI does not include interest, rents, royalties, and annuities. Section 512(b)(13), however, provides special rules regarding the UBTI treatment of income derived by an exempt organization from a controlled subsidiary. In general, section 512(b)(13) treats otherwise excluded rent, royalty, annuity, and interest income as UBTI if such income is received from a subsidiary that is 50-percent or more controlled by the parent exempt organization to the extent the payment reduces the net unrelated income (or increases any net unrelated loss) of the controlled entity, determined as if that entity were tax-exempt. Under a temporary provision, for payments made pursuant to a binding written contract in effect on August 17, 2006 (or renewal of such a contract on substantially similar terms), the general rule of section 512(b)(13) generally applies only to the portion of payments received or accrued in a taxable year that exceeds the amount of the payment that would have been paid under the principles of section 482 (i.e., at arm’s length).
- The provision was enacted in the Pension Protection Act of 2006, Pub. L. No. 109-280, for payments received or accrued before January 1, 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for



payments received or accrued before January 1, 2012. To qualify, payments must be made pursuant to a binding written contract in effect on August 17, 2006 (or a renewal of such a contract on substantially similar terms).

**46. Suspension of 100 percent-of-net-income limitation on percentage depletion for oil and gas from marginal wells (sec. 613A(c)(6)(H)(ii))**

- In general, the percentage depletion method of cost recovery for oil and gas property is limited to independent producers and royalty owners. Generally, under the percentage depletion method, 15 percent of the taxpayer's gross income from an oil- or gas-producing property is allowed as a deduction in each taxable year. The amount deducted generally may not exceed 100 percent of the taxable income from that property in any year. The provision suspends the 100-percent of taxable income limitation for marginal production for taxable years that began after December 31, 1997, and before January 1, 2012. Marginal production is defined as domestic crude oil and natural gas production from stripper well property or from property substantially all of the production from which during the calendar year is heavy oil. Stripper well property is property from which the average daily production is 15 barrel-of-oil equivalents or less, determined by dividing the average daily production of domestic crude oil and domestic natural gas from producing wells on the property for the calendar year by the number of wells. Heavy oil is domestic crude oil with a weighted average gravity of 20 degrees American Petroleum Institute gravity ("API") or less (corrected to 60 degrees Fahrenheit).
- The provision was enacted as part of the Tax Relief Act of 1997, Pub. L. No. 105-34, and was originally scheduled to expire after December 31, 1999. The provision has been extended six times but was allowed to expire for one year (2008).
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through taxable years beginning before January 1, 2012.

**47. Treatment of certain dividends of regulated investment companies ("RICs") (secs. 871(k)(1)(C) and (2)(C), and 881(e)(1)(A) and (2))**

- Certain interest-related dividends and certain short-term capital gain dividends of regulated investment companies are not subject to tax when received by a nonresident alien individual or a foreign corporation.
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, and originally expired December 31, 2006.
- The provision was modified in the Tax Increase Prevention and Reconciliation Act of 2005, Pub. L. No. 109-222.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### **48. RIC qualified investment entity treatment under the Foreign Investment in Real Property Tax Act (“FIRPTA”) (sec. 897(h)(4))**

- Certain RICs that are largely invested in the stock of real property holding companies such as REITs are treated in the same manner as REITs for purposes of FIRPTA. That is, certain sales of stock of such entities are not subject to FIRPTA tax or withholding; however, certain distributions by such entities of the proceeds of the sale of U.S. real property interests are subject to FIRPTA tax and withholding.
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, effective after December 31, 2004 and before January 1, 2008.
- The provision was modified in 2006 by the Tax Increase Prevention and Reconciliation Act of 2006, Pub. L. No. 109-222, to limit the class of RICs that are covered, generally effective as if included in the American Jobs Creation Act of 2004.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### **49. Exceptions under subpart F for active financing income (secs. 953(e), 954(h)(9) and 954(i))**

- The provision provides exceptions from treatment as subpart F income for certain income derived in the active conduct of a banking, financing, or similar business, as a securities dealer, or in the conduct of an insurance business (known as active financing income). Without the exceptions, 10-percent-or-greater U.S. shareholders of a controlled foreign corporation (CFC) would be subject to U.S. tax currently on such active financing income earned by the CFC, whether or not the income is distributed to shareholders.
- The provision was enacted in the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, effective for taxable years beginning in 1998.
- The provision was substantially modified and extended for one year in the Tax and Trade Relief Extension Act of 1998, Pub. L. No. 105-277. The 1998 Act modified the definition of income derived in the active conduct of a banking, financing, or similar business to add substantial activity and nexus requirements, to change the test for whether a CFC is predominantly engaged in such active conduct, to change the treatment of cross-border transactions, to change the determination of where a customer is located, and to eliminate a look-through rule for determining eligible income. The 1998 Act modified the definition of income derived in the conduct of an insurance business to change the determination of reserves and to provide additional exceptions for certain income of a qualifying branch with respect to risks located within the home country of the branch, and for certain CFCs or branches located in any country other than the United States. The provision was substantially modified and extended for five years in the Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147. The 2002 Act modification, which relates to income derived in the conduct of an insurance business, permits the use of foreign statement reserves

subject to IRS approval. In 2004, a definition of “direct conduct of activities” was added to section 954(h)(9) by the American Jobs Creation Act of 2004, Pub. L. No. 108-357.

- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for taxable years beginning before 2012.

#### **50. Look-through treatment of payments between related controlled foreign corporations under the foreign personal holding company rules (sec. 954(c)(6))**

- Certain payments of dividends, interest, rents, and royalties that would otherwise be included in foreign personal holding company income may be excepted if the payments are received from a related controlled foreign corporation and are properly attributable and allocable to income of the payor that is neither subpart F income nor treated as effectively connected to a U.S. trade or business.
- The provision was enacted in the Tax Increase Prevention and Reconciliation Act of 2005, Pub. L. No. 109-222, for taxable years beginning after December 31, 2005, and before January 1, 2009.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### **51. Special rules for qualified small business stock (sec. 1202(a)(4))**

- Gross income does not include all or a portion of any gain from the sale or exchange of qualified small business stock held for more than five years. The amount excluded is 50 percent of the gain for qualified stock issued before 2009 or after 2011, 75 percent of the gain for qualified stock issued after February 17, 2009, and before September 28, 2010, and 100 percent for qualified stock issued after September 27, 2010, and before January 1, 2012.
- The provision was enacted as part of the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, as a permanent provision excluding 50 percent of such gain.
- The provision was modified twice to temporarily increase the percentage of gain excluded from gross income. The American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, increased the percentage of gain excluded on certain stock to 75 percent. The Small Business Jobs Act of 2010, Pub. L. No. 111-240, increased the percentage of gain excluded on certain stock to 100 percent.
- The 100 percent exclusion was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for qualified stock issued before January 1, 2012.

**52. Basis adjustment to stock of S corporations making charitable contributions of property (sec. 1367(a))**

- The basis of a shareholder's stock in an S corporation is reduced by losses and deductions of the S corporation. The provision adjusts the basis of stock in an S corporation by the adjusted basis of property contributed to charity.
- The provision was enacted in the Pension Protection Act of 2006, Pub. L. No. 109-280, for contributions made in taxable years beginning before 2008.
- The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, extended the provision for taxable years beginning before 2012.

**53. Reduction in S corporation recognition period for built-in gains tax (sec. 1374(d)(7))**

- Net recognized built-in gain attributable to C corporation years is taxable to an S corporation during the first 10-year period as an S corporation.
- The 10-year period was reduced to seven years by the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, for taxable years beginning in 2009 and 2010.
- The Small Business Jobs Act of 2010, Pub. L. No. 111-240, reduced the 10-year period to five years for taxable years beginning in 2011.

**54. Empowerment zone tax incentives (secs. 1202(a)(2), 1391(d)(1)(A)(i) and (h)(2), 1394, 1396, 1397A, and 1397B)**

- a. Designation of an empowerment zone and of additional empowerment zones (secs. 1391(d)(1)(A)(i) and (h)(2))
  - b. Increased exclusion of gain (attributable to periods through 12/31/16) on the sale of qualified business stock of an empowerment zone business (secs. 1202(a)(2) and 1391(d)(1)(A)(i))
  - c. Empowerment zone tax-exempt bonds (secs. 1394 and 1391(d)(1)(A)(i))
  - d. Empowerment zone employment credit (secs. 1396 and 1391(d)(1)(A)(i))
  - e. Increased expensing under sec. 179 (secs. 1397A and 1391(d)(1)(A)(i))
  - f. Nonrecognition of gain on rollover of empowerment zone investments (secs. 1397B and 1391(d)(1)(A)(i))
- The empowerment zone tax incentives are intended to encourage economic growth and investment in distressed communities by providing Federal tax incentives to businesses located within the designated boundaries. There are 40 areas designated as empowerment zones per the rules provided in section 1391 of the Code. The tax incentives available within the designated empowerment zones include a Federal

income tax credit for employers who hire qualifying employees (sec. 1396), accelerated depreciation deductions on qualifying equipment (sec. 1397A), tax-exempt bond financing (sec. 1394), deferral of capital gains tax on sale of qualified assets sold and replaced (sec. 1397B), and, generally, partial exclusion of capital gains tax on certain sales of qualified small business stock (sec. 1202).

- The empowerment zone tax incentives were enacted in the Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, which authorized the designation of nine empowerment zones (“Round I empowerment zones”) to be designated by the Secretaries of the Department of Housing and Urban Development and the U.S. Department of Agriculture. These designations were to be made after 1993 and before 1996 and terminated upon the earliest of (i) the close of the 10th calendar year beginning on or after such date of designation, (ii) the termination date designated by the State and local governments as provided for in their nomination, or (iii) the date the appropriate Secretary revoked the designation.
- The Taxpayer Relief Act of 1997, Pub. L. No. 105-34, authorized the designation of two additional Round I urban empowerment zones, and 20 additional empowerment zones (“Round II empowerment zones”). These designations were to be made after the date of the enactment and before January 1, 1999. The Community Renewal Tax Relief Act of 2000 (“Renewal Act”), Pub. L. No. 106-554, authorized a total of 10 new empowerment zones (“Round III empowerment zones”). These designations were to be made after the date of the enactment and before January 1, 2002. The designations were generally to remain in effect during the period beginning on January 1, 2002, and ending on December 31, 2009. In addition, the Renewal Act conformed the tax incentives that are available to businesses in the Round I, Round II, and Round III empowerment zones, added some additional tax incentives (deferral of capital gains tax on sale of qualified assets sold and replaced under sec. 1397B and partial exclusion of capital gains tax on certain sales of qualified small business stock), raised the expensing limitation on qualifying equipment under sec. 1397, and generally extended all of the empowerment zone incentives through December 31, 2009.
- The empowerment zone tax benefits were most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312. This law extends for two years, through December 31, 2011, the period for which the designation of an empowerment zone is in effect, thus extending for two years the empowerment zone tax incentives, including the wage credit, accelerated depreciation deductions on qualifying equipment, tax-exempt bond financing, and deferral of capital gains tax on sale of qualified assets sold and replaced.<sup>12</sup> In the case of a designation of an empowerment zone the nomination for which included a termination date which is December 31, 2009, termination shall not apply with

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<sup>12</sup> The empowerment zone tax incentives may expire earlier than December 31, 2011 if a State or local government provided for an expiration date in the nomination of an empowerment zone, or the appropriate Secretary revokes an empowerment zone’s designation. The State or local government may, however, amend the nomination to provide for a new termination date.

respect to such designation if the entity that made such nomination amends the nomination to provide for a new termination date in such manner as the Secretary may provide. The law also extends for two years, through December 31, 2016, the period for which the percentage exclusion for qualified small business stock (of a corporation which is a qualified business entity) acquired on or before February 17, 2009 is 60 percent. Gain attributable to periods after December 31, 2016 for qualified small business stock acquired on or before February 17, 2009 or after December 31, 2011 is subject to the general rule which provides for a percentage exclusion of 50 percent.

**55. Tax incentives for investment in the District of Columbia (secs. 1400(f)(1), 1400A(b), 1400B(b)(2)(A)(i), (b)(3)(A), (b)(4)(A)(i), (b)(4)(B)(i)(I), (e)(2), and (g)(2), and 1400C(i))**

- a. Designation of DC Zone, employment tax credit, and additional expensing (sec. 1400(f)(1))
  - b. DC Zone tax-exempt bonds (sec. 1400A(b))
  - c. Acquisition date for eligibility for zero percent capital gains rate for investment in DC for gains through 12/31/16 (secs. 1400B(b)(2)(A)(i), (b)(3)(A), (b)(4)(A)(i), (b)(4)(B)(i)(I), (e)(2), and (g)(2))
  - d. Tax credit for first-time DC homebuyers (sec. 1400C(i))
- Tax incentives are available for businesses located in certain economically depressed census tracts within the District of Columbia designated as the “District of Columbia Enterprise Zone,” or “DC Zone.” The tax incentives are: (1) 20-percent wage credit (sec. 1400(d), 1396), (2) an additional \$35,000 of section 179 expensing for qualified zone property (1397A, 1400), and (3) expanded tax-exempt financing for certain zone facilities (sec. 1400A). In addition, a zero-percent capital gains rate applies to capital gains from the sale of certain qualified DC Zone assets held for more than five years (sec. 1400B). Present law also provides for a nonrefundable tax credit for first-time homebuyers of a principal residence in the District of Columbia (sec. 1400C).
  - The provisions were in enacted in the Taxpayer Relief Act of 1997, Pub. L. No. 105-34, which designates the District of Columbia Enterprise Zone generally for taxable years beginning after December 31, 1997 and before January 1, 2003 (purchases on or after date of enactment and before January 1, 2001, for the D.C. first-time homebuyer credit).
  - The District of Columbia Enterprise Zone benefits were most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (“TRUIRJCA”), Pub. L. No. 111-312. TRUIRJCA extends for two years, through December 31, 2011, the designation of the District of Columbia Enterprise Zone. TRUIRJCA also extends for two years through December 31, 2011, the special \$15 million per-user bond limitation and the relief from resident and employee requirements for certain tax-exempt bonds issued in the District of Columbia Enterprise Zone. TRUIRJCA extends for two years the zero-percent capital gains

rate applicable to capital gains from the sale or exchange of any DC Zone asset held for more than five years (and, as amended, acquired or substantially improved before January 1, 2012). TRUIRJCA also extends for two years the period to which the term “qualified capital gain” refers. As amended, the term “qualified capital gain” shall not include any gain attributable to periods before January 1, 1998, or after December 31, 2016. TRUIRJCA extends the first-time D.C. homebuyer credit for two years (as amended), to apply to property purchased before January 1, 2012.

**56. Definition of gross estate for RIC stock owned by a nonresident not a citizen of the United States (sec. 2105(d))**

- The gross estate of a nonresident non-citizen decedent generally includes only property that at the time of the decedent’s death is situated within the United States. Although stock issued by a domestic corporation generally is treated as property within the United States, under the provision, the stock of a RIC that was owned by a nonresident non-citizen is not deemed property within the United States in the proportion that, at the end of the quarter of the RIC’s taxable year immediately before a decedent’s date of death, the assets held by the RIC are debt obligations, deposits, or other property that would be treated as situated outside the United States if held directly by the estate (the “estate tax look-through rule for RIC stock”).
- The provision was enacted in the American Jobs Creation Act of 2004, Pub. L. No. 108-357, for decedents dying after December 31, 2004, and before January 1, 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for decedents dying before January 1, 2012.

**57. Disclosure of prisoner return information to certain prison officials (sec. 6103(k)(10))**

- The provision permits the disclosure of return information regarding the filing of false or fraudulent returns to the Federal Bureau of Prisons and to State prison officials.
- The provision was enacted by the Inmate Tax Fraud Prevention Act of 2008, Pub. L. No. 110-428, and the disclosure authority extended only to officials of the Federal Bureau of Prisons. The provision expired on December 31, 2011.
- The provision was amended by the Homebuyer Assistance and Improvement Act of 2010, Pub. L. No. 111-198, to expand the disclosure authority to include State prison officials.
- The provision has never been extended.

**58. Incentives for alternative fuel and alternative fuel mixtures (other than liquefied hydrogen)**

- a. Excise tax credits and outlay payments for alternative fuel (secs. 6426(d)(5) and 6427(e)(6)(C))

- b. Excise tax credits and outlay payments for alternative fuel mixtures (secs. 6426(e)(3) and 6427(e)(6)(C))
- The provision provides for a 50-cents-per gallon excise tax credit or payment for certain alternative fuel used as fuel in a motor vehicle, motor boat or airplane and a 50-cents-per gallon credit for alternative fuel mixed with a traditional fuel (gasoline, diesel or kerosene) for use as a fuel (not limited to transportation applications).
  - The provision was enacted in the Safe, Accountable, Flexible, Efficient, Transportation Equity Act of 2005, Pub. L. No. 109-59, and expired on September 30, 2009 (September 30, 2014, in the case of hydrogen fuel). The provision was subsequently modified in the Tax Technical Corrections Act of 2007, Pub. L. No. 110-172. The original provision provided a credit for fuel that was a “liquid hydrocarbon derived from biomass.” The credit was intended to cover fish oil, which contains oxygen, and is not exclusively composed of hydrogen and carbon. Provision changed “liquid hydrocarbon” to “liquid fuel.”
  - The provision was modified in the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, which extended the non-hydrogen incentives through December 31, 2009, clarified that fuel produced outside the U.S. for use outside the U.S. was ineligible for the credit, added compressed or liquefied biomass gas to the list of alternative fuels, allowed credit for aviation use and added a carbon capture requirement for liquid fuel derived from coal through the Fischer-Tropsch process (coal to liquids).
  - The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011 (for non-hydrogen fuel) and was modified to exclude alternative fuel made from the paper or pulp process (such as black liquor) for fuel used or sold after December 31, 2009.<sup>13</sup>

**59. Temporary increase in limit on cover over of rum excise tax revenues (from \$10.50 to \$13.25 per proof gallon) to Puerto Rico and the Virgin Islands (sec. 7652(f))**

- The limitation on the amount of tax on rum imported into the United States covered over to the Virgin Islands and Puerto Rico was increased from \$10.50 to \$13.25 per proof gallon.
- The Omnibus Budget Reconciliation Act of 1993, Pub. L. No. 103-66, increased the cover over amount to \$11.30 per proof gallon for spirits brought into the United States during the five-year period beginning on October 1, 1993.
- The Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 106-170, increased the cover over amount to \$13.25 for rum brought into the United States after June 30, 1999 and before January 1, 2002.

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<sup>13</sup> The related provisions for liquefied hydrogen fuel expire September 30, 2014.



- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, which extended the \$13.25 cover over amount for rum brought into the United States before January 1, 2012.

**60. American Samoa economic development credit (sec. 119 of Pub. L. No. 109-432 as amended by sec. 756 of Pub. L. No. 111-312)**

- The American Samoa economic development credit is a credit against U.S. corporate income tax in an amount equal to the sum of certain percentages of a domestic corporation's employee wages, employee fringe benefit expenses, and tangible property depreciation allowances for the taxable year in respect of the active conduct of a trade or business within American Samoa. The credit is available only to a domestic corporation that, among other requirements, claimed the now-expired section 936 possession tax credit with respect to American Samoa for its last taxable year beginning before January 1, 2006.
- The provision was enacted in the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, and originally expired on December 31, 2007.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

## **B. Provisions Expiring December 31, 2012<sup>14</sup>**

### **1. Airport and Airway Trust Fund excise taxes (secs. 4081(d)(2)(B), 4261(j)(1)(A)(ii), and 4271(d)(1)(A)(ii))**

- a. All but 4.3 cents-per-gallon of taxes on noncommercial aviation kerosene and noncommercial aviation gasoline (sec. 4081(d)(2)(B)) (Expiring January 31, 2012)<sup>15</sup>
- b. Domestic and international air passenger ticket taxes (sec. 4261(j)(1)(A)(ii)) (Expiring January 31, 2012)
- c. Air cargo tax (sec. 4271(d)(1)(A)(ii)) (Expiring January 31, 2012)
  - The Airport and Airway Trust Fund excise taxes were most recently extended in the Surface and Air Transportation Programs Extension Act of 2011, Pub. L. No. 112-30, through January 31, 2012.
  - The Airport and Airway Extension Act of 2012, H.R. 3800, was passed by the House of Representatives on January 24, 2012, and by the Senate on January 26, 2012. The bill extends the Airport and Airway Trust Fund taxes through February 17, 2012.

### **2. Temporary payroll tax cut (sec. 101 of Pub. L. No. 112-78) (Expiring February 29, 2012)**

- The provision: (1) applies a reduced OASDI tax rate of 4.2 percent for employees to wages received through February 29, 2012, and applies to employees an additional two-percent tax on wages received during January 1, 2012, to February 29, 2012, in excess of \$18,350; and (2) applies a reduced OASDI tax rate of 10.4 percent for self-employed individuals through 2012 (with a related adjustment to the deduction for one-half of SECA tax), and limits the self-employment income eligible for the reduced rate to \$18,350.
- The provision was enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.
- The provision was extended through February 29, 2012, by the Temporary Payroll Tax Cut Continuation Act of 2011, Pub. L. No. 112-78, which added the additional two-percent tax on wages and the limit on self-employment income eligible for the reduced rate.

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<sup>14</sup> The expiration dates of provisions expiring in 2012 on a date other than December 31, 2012 are specifically indicated.

<sup>15</sup> The 4.3-cents-per-gallon rate is permanent.

**3. Highway Trust Fund excise tax rates (secs. 4041(a), 4041(m), 4051(c), 4071(d), 4481(f), and 4081(d)(1))**

- a. All but 4.3 cents-per-gallon of the taxes on highway gasoline, diesel fuel, kerosene, and alternative fuels (secs. 4041(a) and 4081(d)(1)) (Expiring March 31, 2012)<sup>16</sup>
- b. Reduced rate of tax on partially exempt methanol or ethanol fuel (sec. 4041(m)) (Expiring March 31, 2012)<sup>17</sup>
- c. Tax on retail sale of heavy highway vehicles (sec. 4051(c)) (Expiring March 31, 2012)
- d. Tax on heavy truck tires (sec. 4071(d)) (Expiring March 31, 2012)
- e. Annual use tax on heavy highway vehicles (sec. 4481(f)) (Expiring September 30, 2012)
  - The Highway Trust Fund excise taxes were most recently extended in the Surface and Air Transportation Programs Extension Act of 2011, Pub. L. No. 112-30, through March 31, 2012.

**4. Leaking Underground Storage Tank Trust Fund financing rate (secs. 4041(d)(4) and 4081(d)(3)) (Expiring March 31, 2012)**

- The Leaking Underground Storage Tank Trust Fund financing rate was most recently extended in the Surface and Air Transportation Programs Extension Act of 2011, Pub. L. No. 112-30, through March 31, 2012.

**5. Qualified green buildings and sustainable design project bonds (sec. 142(l)(8))**

- The provision provides for tax-exempt financing for building projects that meet certain requirements for energy efficiency/conservation, size, acreage, and State support. The Treasury is authorized to allocate \$2 billion of bond issuance authority among qualified projects.
- The provision was enacted as part of the American Jobs Creation Act of 2004, Pub. L. No. 108-357. The Secretary of the Treasury's authority to issue tax-exempt bonds under this provision originally was to expire September 30, 2009.
- The authority to issue qualified green building and sustainable design project bonds was extended by the Energy Improvement and Extension Act of 2008, Pub. L. No. 110-343, through September 30, 2012.

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<sup>16</sup> The 4.3-cents-per-gallon rate is permanent.

<sup>17</sup> After March 31, 2012, in the case of fuel none of the alcohol in which consists of ethanol, the rate is 2.15 cents-per-gallon. In any other case, the rate is 4.3 cents-per-gallon.

**6. Increase of the size of 15 percent rate bracket for married filers to double that of unmarried filers (sec. 1(f)(8) and sec. 901 of Pub. L. No. 107-16)<sup>18</sup>**

- Under present law, the size of the 15-percent regular income tax rate bracket for a married couple filing a joint return is twice the size of the corresponding rate bracket for an unmarried individual filing a single return. Prior to 2001, the bracket breakpoint for single individuals was approximately 60 percent of the bracket breakpoint for married couples filing joint returns.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, phased in over four years, and originally expired on December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**7. Reduced capital gain rates for individuals (secs. 1(h), 55(b), 57(a)(7), 1445(e)(1), 7518(g)(6)(A) and sec. 303 of Pub. L. No. 108-27)<sup>19</sup>**

- On the sale or exchange of a capital asset, any gain generally is included in income. Any net capital gain income of an individual is taxed at maximum rates lower than the rates applicable to ordinary income. The provision reduces the 10- and 20-percent rates on the adjusted net capital gain of an individual to zero and 15-percent, respectively. These lower rates apply to both the regular tax and the alternative minimum tax on assets held more than one year.
- The provision was enacted in the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-27, through December 31, 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

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<sup>18</sup> A termination rule applies to all provisions (not otherwise extended or made permanent) that were enacted in Economic Growth and Tax Relief Reconciliation Act of 2001 (“EGTRRA”), Pub. L. No. 107-16. These provisions terminate December 31, 2012, under EGTRRA section 901 as modified by Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, and are listed in this document with a reference to section 901 of Pub. L. No. 107-16.

<sup>19</sup> A termination rule applies to provisions relating to (1) reduced capital gains rates, (2) dividends taxed at capital gains rates, and (3) repeal of the collapsible corporation rules, enacted in the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-27 (“JGTRRA”). These provisions terminate December 31, 2012, under JGTRRA section 303 as modified by section 102 of the Tax Increase Prevention and Reconciliation Act of 2005, Pub. L. No. 109-222 (“TIPRA”) and section 102 of Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312.

**8. Dividends of individuals taxed at capital gain rates (secs. 1(h)(11), 163(d)(4)(B), 854(a) and (b), and 857(c) and sec. 303 of Pub. L. No. 108-27)<sup>20</sup>**

- Under the provision, dividends received by non-corporate shareholders from domestic corporations and qualified foreign corporations are taxed at the same rates that apply to net capital gain income, rather than the rates that apply to ordinary income. This treatment applies for purposes of both the regular tax and the alternative minimum tax
- The provision was enacted in the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-27, through December 31, 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**9. Ten percent individual income tax rate (sec. 1(i) and sec. 901 of Pub. L. No. 107-16)**

- Under the provision there exists a regular income tax rate bracket of 10 percent. Prior to 2001, the lowest income tax rate bracket was 15 percent.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**10. Reduction in other individual income tax rates: size of 15 percent rate bracket modified to reflect 10 percent rate, and 28 percent, 31 percent, 36 percent, and 39.6 percent rates are reduced to 25 percent, 28 percent, 33 percent, and 35 percent, respectively (sec. 1(i)(2) and sec. 901 of Pub. L. No. 107-16)**

- Under the provision, the regular income tax rates that, prior to 2001, were 28 percent, 31 percent, 36 percent, and 39.6 percent are reduced to 25 percent, 28 percent, 33 percent and 35 percent, respectively. Additionally, present law modifies the 15-percent regular income tax bracket to begin at the end of the new 10-percent regular income tax bracket.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

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<sup>20</sup> See note 19.

**11. Dependent care credit: increase of dollar limit on creditable expenses from \$2,400 to \$3,000 (\$4,800 to \$6,000 for two or more children), increase of applicable credit percentage from 30 to 35 percent, increase of beginning point of phase-out range from \$10,000 to \$15,000 (secs. 21(a)(2) and 21(c) and sec. 901 of Pub. L. No. 107-16)**

- A taxpayer who maintains a household that includes one or more qualifying individuals may claim a nonrefundable credit for a limited amount of employment-related expenses. Qualifying individuals are generally dependents under the age of 13 or a dependent (or spouse) of the taxpayer who is physically or mentally incapable of caring for himself or herself. The provision increases the maximum amount of eligible employment-related expenses from \$2,400 to \$3,000 if there is one qualifying individual and from \$4,800 to \$6,000 if there are two or more qualifying individuals. The provision also increases the maximum credit from 30 to 35 percent of eligible employment-related expenses. Finally, the provision modifies the phase-down of the credit, such that the 35-percent credit rate is reduced, but not below 20 percent, by one percentage point for each \$2,000 (or fraction thereof) of adjusted gross income above \$15,000 (increased from \$10,000).
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**12. Adoption credit and adoption assistance exclusion: increase to \$10,000 for maximum credit and maximum exclusion, special needs adoptions deemed to have \$10,000 eligible expenses for purposes of credit and exclusion, increase the beginning and ending points of phase-out range for credit and exclusion, allow the credit against AMT (secs. 23 and 137 and sec. 901 of Pub. L. No. 107-16)**

- Generally a taxpayer is allowed a nonrefundable credit against tax for qualified adoption expenses paid or incurred by a taxpayer subject to a maximum credit amount per eligible child. Under present law, the maximum credit is \$12,650 per child (an increase from \$5,000 per child prior to 2001). Under the provision, the maximum exclusion is \$12,650 per child (an increase from \$5,000 per child prior to 2001). For purposes of both the credit and the exclusion, a special needs adoption finalized during the taxable year is deemed to include \$12,650 of eligible expenses associated with that adoption. The beginning and end points of the income phase out range for the credit and exclusion are \$189,710 and \$229,710, respectively (formerly \$75,000 and \$115,000 prior to 2001). Finally, under the provision the adoption credit is allowed against the alternative minimum tax.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**13. Child credit: increase from \$500 to \$1,000, expand eligibility for refundable portion of the credit, AMT relief, provide that child credit not treated as income or resources for purposes of benefit or assistance programs financed in whole or in part with Federal funds (secs. 24(a), (b)(3), and (d) and secs. 203 and 901 of Pub. L. No. 107-16)**

- An individual may claim a tax credit for each qualifying child under the age of 17. Under present law, the credit amount per child is \$1,000 (increased from \$500 prior to 2001). The child credit is allowed to the extent of the full amount of the individual's regular income tax and alternative minimum tax. For tax years through 2012, a portion of the child credit is refundable, in an amount equal to the lesser of the unclaimed portion of the nonrefundable credit or 15 percent of the taxpayer's earned income in excess of \$3,000. The refundable child credit is not reduced by the amount of the alternative minimum tax.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was modified by the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, which reduced the minimum earned income amount used to calculate the additional child tax credit to \$3,000. Prior to enactment, the minimum earned income amount was set to rise to \$12,550.
- The provision, and the amendment under the American Recovery and Reinvestment Tax Act of 2009 described above, was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**14. Expansion of Hope Credit (American opportunity tax credit) (sec. 25A(i))**

- Taxpayers are allowed to claim a nonrefundable credit, the Hope Credit, for qualified tuition and related expenses incurred for the first two years of post-secondary education. The expansion is referred to as the American opportunity tax credit. The allowable modified credit is up to \$2,500 per eligible student per year for qualified tuition and related expenses paid for each of the first four years of the student's post-secondary education in a degree or certificate program. The modified credit rate is 100 percent on the first \$2,000 of qualified tuition and related expenses, and 25 percent on the next \$2,000 of qualified tuition and related expenses.
- The provision was enacted in the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, and originally expired on December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**15. Earned income tax credit (“EITC”): increase in the beginning point of the phase-out range for joint returns, modification of EITC treatment of amounts not includible in income, repeal of reduction of EITC for AMT liability, expansion of math error authority (secs. 32(b)(2), (c)(2)(A)(i), (h), and 6213(g)(2) and sec. 901 of Pub. L. No. 107-16)**

- The maximum earned income credit is phased out for individuals with earned income over certain levels. For married taxpayers who file a joint return, the provision increases the beginning and ending of the earned income credit phase-out by \$3,000 (adjusted for inflation) as compared to taxable years prior to 2001. Additionally, the provision eliminates the following requirements that existed prior to 2001: (i) requirement that both the IRS and taxpayers to keep track of nontaxable amounts for determining earned income credit eligibility even though such amounts are generally not necessary for other tax purposes; (ii) requirement that a taxpayer was required to reduce the earned income credit by the amount of the taxpayer’s alternative minimum tax. Finally, the provision authorizes the IRS to use math error authority to deny the EITC if the Federal Case Registry of Child Support Orders indicates that the taxpayer is the noncustodial parent of the child with respect to whom the credit is claimed.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**16. Earned income tax credit (secs. 32(b)(3)(A) and (B))**

- a. Credit percentage of 45 percent for three or more qualifying children (sec. 32(b)(3)(A))
- b. Phaseout threshold for marriage penalty relief (sec. 32(b)(3)(B))
  - Low- and moderate-income workers may be eligible for the refundable earned income tax credit (“EITC”). Eligibility for the EITC is based on a number of factors, including the presence and number of qualifying children in the worker’s family, as well as on adjusted gross income and earned income. Under the provision, taxpayers with three or more qualifying children may claim a credit of up to 45 percent of earnings up to \$13,090 (the credit begins to phase out as earned income increases). This is an increase from 40 percent prior to 2009. Additionally, the provision increases the threshold phase-out amounts for singles, surviving spouses, and heads of households to \$5,000, adjusted annually for inflation.
  - The provision was enacted in American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, through December 31, 2010.
  - The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.



### **17. Cellulosic biofuel producer credit (sec. 40(b)(6)(H))**

- The provision provides for a \$1.01 per gallon income tax credit (nonrefundable) for cellulosic biofuel sold into the fuel tank of a buyer's vehicle or cellulosic biofuel mixed with gasoline or a special fuel and sold or used as a fuel (not limited to transportation fuel).
- The provision was enacted as part of the Heartland, Habitat, Harvest, and Horticulture Act of 2008, Pub. L. No. 110-246, for qualified cellulosic biofuel production after December 31, 2008 and before January 1, 2013.
- The Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, amended the cellulosic biofuel production credit to exclude fuels exceeding certain water and/or sediment content (such as black liquor). In addition, the Creating Small Business Jobs Act of 2010, Pub. L. No. 111-240, amended the provision to exclude certain fuels exceeding certain acidity levels (such as crude tall oil).
- The provision has never been extended.

### **18. Placed-in-service date for wind facilities eligible to claim electricity production credit (sec. 45(d))**

- A production tax credit is available for electricity produced from wind during the 10-year period beginning after a qualified wind power facility has been placed in service. The credit rate for 2011 is 2.2 cents per kilowatt-hour of power produced at a qualified wind facility.<sup>21</sup>
- The provision was enacted as part of the Energy Policy Act of 1992, Pub. L. No. 102-386. It was originally scheduled to expire for facilities placed in service after June 30, 1999.
- The provision was most recently extended by the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, to include facilities placed in service before January 1, 2013.<sup>22</sup>

### **19. Credit for production of Indian coal (sec. 45(e)(10)(A)(i))**

- A \$2-per-ton credit (adjusted for inflation from 2005; \$2.20 per ton for 2011)<sup>23</sup> is available through 2012 for coal produced at facilities placed in service before 2009

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<sup>21</sup> Section 45(e)(2) requires the Secretary of the Treasury to determine and publish the 2012 inflation-adjusted credit rate by April 1, 2012.

<sup>22</sup> The placed-in-service date for renewable power facilities other than wind facilities is December 31, 2013.

<sup>23</sup> Section 45(e)(2) requires the Secretary of the Treasury to determine and publish the 2012 inflation-adjusted credit rate by April 1, 2012.

that produce coal from reserves that on June 14, 2005, were owned by (or held in trust on behalf of) an Indian tribe.

- The provision was enacted as part of the Energy Policy Act of 2005, Pub. L. No. 109-58 through December 31, 2012.
- The provision has never been extended.

#### **20. Credit for employer-provided child care (sec. 45F and sec. 901 of Pub. L. No. 107-16)**

- Taxpayers receive a tax credit equal to 25 percent of qualified expenses for employee child care and 10 percent of qualified expenses for child care resource and referral services. The maximum total credit that may be claimed by a taxpayer cannot exceed \$150,000 per taxable year. Eligible expenses include costs paid or incurred: (1) to acquire, construct, rehabilitate or expand property that is to be used as part of the taxpayer's qualified childcare facility; (2) for the operation of the taxpayer's qualified child care facility; or (3) under a contract with a qualified child care facility to provide child care services to employees of the taxpayer.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

#### **21. Election to claim the energy credit in lieu of the electricity production credit for wind facilities (sec. 48(a)(5))**

- A production tax credit is available for electricity produced from wind during the 10-year period beginning after a qualified wind power facility has been placed in service. The credit rate for 2011 is 2.2 cents per kilowatt-hour of power produced at a qualified wind facility.<sup>24</sup> A taxpayer may elect to claim a 30-percent investment credit in lieu of the production credit for qualified wind power property.
- The provision permitting an election to claim an investment credit in lieu of the production credit was enacted as part of the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, through December 31, 2012.<sup>25</sup>
- The provision has never been extended.

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<sup>24</sup> Section 45(e)(2) requires the Secretary of the Treasury to determine and publish the 2012 inflation-adjusted credit rate by April 1, 2012.

<sup>25</sup> The expiration date with respect to renewable power facilities other than wind facilities is December 31, 2013.

## **22. Work opportunity tax credit targeted to hiring qualified veterans (sec. 51(c)(4)(B))<sup>26</sup>**

- The work opportunity tax credit (“WOTC”) was enacted to replace the targeted jobs tax credit, and it provides a credit to employers for wages paid or incurred in a taxable year to individuals who are members of a targeted group. Certain veterans compose one of the targeted groups.
- The provision was enacted in the Small Business Job Protection Act of 1996, Pub. L. No. 104-188, for wages paid or incurred to a qualified individual who began work for an employer before October 1, 1997.
- The provision was most recently extended by the VOW to Hire Heroes Act of 2011, Pub. L. No. 112-56, through December 31, 2012.

## **23. Credit for prior year minimum tax liability made refundable after period of years (sec. 53(e))**

- Long-term unused minimum tax credits of individuals are partially refundable.
- The provision was enacted by the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, for taxable years beginning before January 1, 2013.
- The provision has never been extended.

## **24. Increase of the standard deduction for married filers to double that of unmarried filers (sec. 63(c)(2)(A) and sec. 901 of Pub. L. No. 107-16)**

- Taxpayers who do not itemize deductions may choose the basic standard deduction (and additional standard deductions, if applicable), which is subtracted from adjusted gross income in arriving at taxable income. Under the provision, the basic standard deduction for a married couple filing a joint return is twice the basic standard deduction for an unmarried individual filing a single return. Prior to 2001, the basic standard deduction amount for single filers was 60 percent of the basic standard deduction amount for married couples filing a joint return.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

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<sup>26</sup> The work opportunity tax credit generally expired December 31, 2011.

**25. Repeal of overall limitation on itemized deductions (the “Pease limitation”) (sec. 68(g) and sec. 901 of Pub. L. No. 107-16)**

- Under prior law, the total amount of otherwise allowable itemized deductions (other than medical expenses, investment interest, and casualty, theft, or wagering losses) was reduced by three percent of the amount of the taxpayer’s 2001 adjusted gross income in excess of a certain threshold, which is adjusted for inflation. Under the provision, the overall limitation on itemized deductions has been repealed for all taxpayers.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**26. Discharge of indebtedness on principal residence excluded from gross income of individuals (sec. 108(a)(1)(E))**

- A maximum exclusion from gross income of \$2,000,000 is provided for any discharge of indebtedness income by reason of a discharge (in whole or in part) of qualified principal residence indebtedness. In general, the discharged indebtedness eligible for the exclusion must be indebtedness incurred in the acquisition, construction, or substantial improvement of the principal residence of the individual and secured by the residence. The provision is effective for discharges of indebtedness before January 1, 2013.
- The provision was originally enacted in the Mortgage Forgiveness Debt Relief Act of 2007, Pub. L. No. 110-142, and applied for discharges of indebtedness on or after January 1, 2007, and before January 1, 2010.
- The provision was most recently extended (for three years) to discharges of indebtedness before January 1, 2013, as part of the Emergency Economic Stabilization Act of 2008 (Div. A. of Pub. L. No. 110-343).

**27. Elimination of tax on awards under the National Health Service Corps Scholarship Program and the F. Edward Hébert Armed Forces Health Professions Scholarship and Financial Assistance Program (sec. 117(c)(2) and sec. 901 of Pub. L. No. 107-16)**

- Recipients of scholarships issued pursuant to the National Health Service Corps Scholarship Program and the F. Edward Hébert Armed Forces Health Professions Scholarship and Financial Assistance Program are eligible for tax-free treatment of these amounts, despite the fact that these scholarships are conditioned upon the recipient providing certain services. Such a condition would disqualify the recipient from tax-free treatment under the general rules of sec. 117.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and originally expired on December 31, 2010.

- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**28. Employer-provided educational assistance (sec. 127 and sec. 901 of Pub. L. No. 107-16)**

- Certain employer-paid educational expenses are excluded from gross income and wages of an employee if provided under a Code section 127 educational assistance program.
- The provision was enacted in the Revenue Act of 1978, Pub. L. No. 95-600 and originally expired on December 31, 1983.
- The Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, expanded the provision to include graduate education.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**29. Tax-exempt bonds for educational facilities: increase in amount of bonds qualifying for small-issuer arbitrage rebate exception, expansion of tax-exempt bond treatment to public school facilities (secs. 142(a)(13) and (k), 148(f)(4)(D)(vii), and sec. 901 of Pub. L. No. 107-16)**

- The first provision allows a qualifying small-government issuer to issue up to \$15 million of governmental bonds in a calendar year which are not subject to an arbitrage rebate requirement provided that at least \$10 million of the bonds is are used to finance public school construction expenditures. The second provision provides a category of tax-exempt private activity bonds for elementary and secondary public schools that are owned by private, for-profit corporations pursuant to public-private partnership agreements with a State or local educational agency.
- The two provisions were originally enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, for bonds issued after December 31, 2001 and before January 1, 2011.
- The two provisions were most recently extended through 2012 in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, for bonds issued before January 1, 2013.

**30. Repeal of the personal exemptions phase-outs (“PEP”) for high-income taxpayers (sec. 151(d)(3)(F) and sec. 901 of Pub. L. No. 107-16)**

- In order to determine taxable income, an individual reduces adjusted gross income by any deduction for personal exemptions, and either the applicable standard deduction or itemized deductions. Personal exemptions generally are allowed for the taxpayer, his or her spouse, and any dependents. Prior to 2001, the deduction for personal exemptions was phased-out ratably for taxpayers with adjusted gross income over certain thresholds. Under the provision, there is no phase-out of personal exemptions.

- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, through December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

### **31. Additional first-year depreciation for 50 percent of basis of qualified property (secs. 168(k)(1) and (2))<sup>27</sup>**

- Property qualifying for the additional first-year depreciation deduction (“bonus depreciation”) must meet all of the following requirements. First, the property must be (1) property to which MACRS applies with an applicable recovery period of 20 years or less; (2) water utility property; (3) computer software other than computer software covered by section 197; or (4) qualified leasehold improvement property. Second, the original use of the property must commence with the taxpayer after December 31, 2007. Third, the taxpayer must acquire the property within the applicable time period (i.e., the property generally must be acquired (1) after December 31, 2007, and before January 1, 2013 (before January 1, 2014 in the case of certain longer-lived and transportation property), but only if no binding written contract for the acquisition is in effect before January 1, 2008, or (2) pursuant to a binding written contract which was entered into after December 31, 2007, and before January 1, 2013). Finally, the property must be placed in service before January 1, 2013 (January 1, 2014 for certain property with a recovery period of 10 years or longer and certain transportation property).
- The first instance of bonus depreciation came in the Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147, which provided an additional first-year depreciation deduction equal to 30-percent of the adjusted basis of qualified property placed in service on or after September 11, 2001 and before January 1, 2005 (January 1, 2006 for certain property with a recovery period of 10 years or longer and certain transportation property).
- The Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-127, provided additional first-year depreciation equal to 50-percent of the adjusted basis of qualified property and modified the applicable time period for acquisition or self construction of the property and the placed-in-service date requirement. The American Jobs Creation Act of 2004, Pub. L. No. 108-357, expanded the definition of eligible property to include certain leasehold improvements and qualified restaurant property, and made the long production period extended placed in service dates available for certain noncommercial aircraft.
- The provision was most recently extended and expanded by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, which allowed an additional first-year depreciation deduction equal to 100

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<sup>27</sup> December 31, 2013 for certain longer-lived and transportation property.

percent of the adjusted basis of qualified property placed in service after the date of enactment and before January 1, 2012 (January 1, 2013, for certain longer-lived and transportation property), and an additional 50-percent first-year depreciation deduction for qualified property placed in service after December 31, 2011, and before January 1, 2013, (after December 31, 2012, and before January 1, 2014, for certain longer-lived and transportation property).

### **32. Election to accelerate AMT credits in lieu of additional first-year depreciation (sec. 168(k)(4))<sup>28</sup>**

- The provision allows a corporation otherwise eligible for additional first-year depreciation to elect to claim an additional alternative minimum tax credit in lieu of claiming bonus depreciation for eligible qualified property placed in service after December 31, 2010, and before January 1, 2013 (January 1, 2014, in the case of certain longer-lived and transportation property). A corporation making the election forgoes the bonus depreciation deductions (and instead depreciates the property using the straight-line method) and increases the limitation on the use of the AMT credit. The increase in the allowable AMT credit is treated as refundable.
- The provision was enacted in the Housing Assistance Tax Act of 2008, Pub. L. No. 110-289. It allowed a corporation to elect to claim additional research credit or alternative minimum tax credit in lieu of claiming bonus depreciation for eligible qualified property placed in service after March 31, 2008 and before January 1, 2009, (January 1, 2010, for certain longer-lived and transportation property). The provision was extended in the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, for property placed in service before January 1, 2010 (January 1, 2011, for certain longer-lived and transportation property) and subsequently expired.
- The provision was reinstated and modified in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, to permit a corporation to elect to claim additional alternative minimum tax credit in lieu of claiming bonus depreciation for eligible qualified property placed in service after December 31, 2010, and before January 1, 2013 (January 1, 2014, in the case of certain longer-lived and transportation property).
- The provision was most recently reinstated in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, and expires for property placed in service after December 31, 2012 (December 31, 2013, in the case of certain longer-lived and transportation property).

### **33. Special depreciation allowance for cellulosic biofuel plant property (sec. 168(l))**

- The provision allows an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified cellulosic biofuel plant property that is used in the U.S. solely to produce cellulosic biofuel and where (1) the original use of the

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<sup>28</sup> December 31, 2013 for certain longer-lived and transportation property.

property commences with the taxpayer on or after December 20, 2006, (2) the property is be acquired by purchase by the taxpayer after the date of enactment, but only if no written binding contract for the acquisition was in effect on or before such date, (3) the property is placed in service before January 1, 2013, and (4) no portion of the property is financed with the proceeds of a tax-exempt bond obligation. For this purpose, cellulosic biofuel means any liquid fuel which is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis.

- The provision was enacted in the Tax Relief and Health Care Act of 2006, Pub. L. No. 109-432, for cellulosic biomass ethanol plant property placed in service after the effective date of the Act and before January 1, 2013.
- The provision was modified by the Energy Improvement and Extension Act of 2008, Pub. L. No. 110-343 which expanded the definition of qualifying property to include any cellulosic biofuel plant property, not only ethanol, for property placed in service after October 3, 2008.
- The provision has never been extended.

**34. Increase in dollar limitations for expensing to \$125,000/500,000 (indexed) (secs. 179(b)(1) and (2), (c)(2), and (d)(1)(A)(ii))**

- Subject to certain limitations, a taxpayer that invests in certain qualifying property may elect under section 179 to deduct on a current basis (or “expense”) the cost of qualifying property up to \$25,000, rather than to recover such costs through depreciation deductions over time. The \$25,000 amount is reduced (but not below zero) by the amount by which the cost of qualifying property placed in service during the taxable year exceeds \$200,000 (“the phase-out amount”). The \$25,000 and \$200,000 amounts are not indexed for inflation. In general, qualifying property is defined as depreciable tangible personal property that is purchased for use in the active conduct of a trade or business (and off-the-shelf computer software placed in service after 2002 and before 2013). The maximum amount a taxpayer may expense and the phase-out amount is \$125,000 and \$500,000, respectively. The \$125,000 and \$500,000 amounts are indexed for inflation. The provision in section 179(c)(2) permits taxpayers to make or revoke expensing elections on amended tax returns without the consent of the Commissioner with respect to any taxable year beginning after 2002 and before 2013 (other elections are irrevocable except with consent of the Commissioner).
- The Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-127, increased the relevant section 179 amount to \$100,000, indexed annually for inflation, but only for tax years beginning after 2002 and before 2006.
- The provision was subsequently extended and modified in the Small Business and Work Opportunity Tax Act of 2007, Pub. L. No. 110-28, to increase the maximum amount a taxpayer may expense to \$125,000 and to increase the phase-out threshold amount to \$500,000 for taxable years beginning in 2007 through 2010. The amounts were indexed for inflation in taxable years beginning after 2007 and before 2011.



The provision was again modified in the Economic Stimulus Act of 2008, Pub. L. No. 110-185, to temporarily increase the maximum amount and phase-out threshold amount for taxable years beginning in 2008 to \$250,000 and \$800,000, respectively. These amounts were not indexed for inflation. The Creating Small Business Jobs Act of 2010, Pub. L. No. 111-240, increased the maximum amount to \$500,000 and increased the phase-out threshold amount to \$2 million for taxable years beginning in 2010 and 2011.

- The provision was most recently extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, to extend the maximum amount and phase-out threshold amounts of \$125,000 and \$500,000, respectively, for taxable years beginning in 2012. The 2012 amount is indexed for inflation. For 2013 and all subsequent years, the relevant dollar limitation will be \$25,000.

**35. Student loan interest deduction: increase and indexation for inflation of the phase-out ranges, repeal of the limit on the number of months that interest payments are deductible, repeal of the rule that voluntary payments of interest are not deductible (sec. 221 and sec. 901 of Pub. L. No. 107-16)**

- Certain individuals may claim an above-the-line deduction for interest paid on qualified education loans. The provision increases the inflation-adjusted modified adjusted gross income phase-out ranges for eligibility for the student loan interest deduction. Those ranges are currently \$50,000 to \$65,000 for single taxpayers (increased from \$40,000 and \$55,000, respectively) and to \$100,000 to \$130,000 for married taxpayers filing joint returns (increased from \$60,000 and \$75,000, respectively). Additionally, the provision removes the restrictions that (i) disallowed the deduction with respect to interest paid on a qualified education loan after the first 60 months in which interest payments are required and (ii) disallowed the deduction with respect to voluntary payments of interest.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and originally expired on December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**36. Repeal of collapsible corporation rules (sec. 341 and sec. 303 of Pub. L. No. 108-27)<sup>29</sup>**

- A shareholder's gain on stock of a collapsible corporation was treated as ordinary income rather than capital gain. This rule was intended to prevent the incorporation of assets that would produce ordinary income and the distribution of assets back to

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<sup>29</sup> See note 19.

the shareholders at capital gains rates in circumstances where little or no corporate tax on the value of the earnings would be paid.

- The collapsible corporation rules were temporarily repealed in 2003 in the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-27, in connection with adoption of the rules taxing capital gain and dividend income of individuals at the same rates. The repeal originally expired on December 31, 2008.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**37. Education Individual Retirement Accounts (Coverdell education savings accounts): increase of maximum annual contribution from \$500 to \$2,000, expansion of definition of qualified education expenses, increase in the size of the phase-out range for married filers to double that of unmarried filers, provision of special needs beneficiary rules, contributions by corporations and other entities, and contributions until April 15th, permitted (secs. 530(b)(1), (b)(2), (b)(4), (c)(1), (d)(2) and sec. 901 of Pub. L. No. 107-16)**

- Tax-exempt status applies to education individual retirement accounts (“education IRAs,” renamed “Coverdell education savings accounts” by Pub. L. No. 107-22), meaning certain trusts or custodial accounts that are created or organized in the United States exclusively for the purpose of paying the qualified education expenses of a designated beneficiary. Upon distribution of the funds from an education IRA, earnings on the contributions are excludable from the gross income of the beneficiary to the extent the total distribution does not exceed the qualified education expenses incurred by the beneficiary during the year the distribution is made. The provision (i) increases the annual limit on contributions to \$2,000 (from \$500 prior to 2001); (ii) expands the definition of qualified education expenses to include qualified elementary school and secondary school expenses; (iii) increases the phase-out range of eligibility to contribute to an education IRA for married taxpayers filing a joint return so that it is twice the range for single taxpayers; (iv) allows contributions to an account on behalf of a special needs beneficiary regardless of whether that beneficiary has reached the age of 18 (and provides other special rules in the case of special beneficiaries); (v) clarifies that the reduction in permitted contributions based on AGI only applies to individuals; and (vi) deems individuals to have made a contribution on the last day of the preceding taxable year if the contribution is made on account of such taxable year and is made not later than the time prescribed by law for filing the individual’s Federal income tax return for such taxable year (not including extensions).
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and originally expired on December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312 through December 31, 2012.

**38. Reduced rates under accumulated earnings tax and personal holding company tax (secs. 531 and 541 and sec. 901 of Pub. L. No. 107-16)**

- In addition to the regular corporate level income tax, tax at the highest individual rate on dividends (currently 15 percent) is imposed on a corporation with respect to certain undistributed taxable income. The 15-percent accumulated earnings tax is imposed on certain income that is accumulated beyond the reasonable needs of the corporate business (but does not apply to a personal holding company). The 15-percent personal holding company tax is imposed on certain taxable income of a personal holding company (generally, a closely held corporation that receives at least 60 percent of its taxable income from certain investments treated as passive).
- The 15-percent rate for the accumulated earnings tax and personal holding company tax was adopted, repealing the former Code reference to the highest individual tax rate, in 2003 in the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub. L. No. 108-27, in connection with adoption of the special rule for qualified dividends of individuals, which taxed such dividends at the same rate as capital gains and reduced the rate for both to 15 percent. The repeal of the reference to the highest individual tax was originally scheduled to expire on December 31, 2008.
- The 15-percent rate provisions were extended through December 31, 2010 in the Tax Increase Prevention and Reconciliation Act of 2005, Pub. L. No. 109-222.
- The 15-percent rate provisions were most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**39. Modified tax treatment of electing Alaska Native Settlement Trusts and their beneficiaries (sec. 646 and sec. 901 of Pub. L. No. 107-16)**

- Certain transfers of property by an Alaska Native Corporation to an Alaska Native Settlement Trust for the benefit of some or all shareholders of the corporation are not taxed as dividends to the shareholders. Trust earnings are taxed at the lowest individual rate, and are not further taxed on distribution to beneficiaries.
- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, and originally expired for taxable years beginning after December 31, 2010.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

**40. Estate, gift, and generation-skipping transfer tax provisions (sec. 901 of Pub. L. No. 107-16):**

- a. Reduction in the maximum estate and gift tax rate to 35 percent (secs. 2001 and 2502)
  - The maximum estate and gift tax rate applicable for computing tentative tax is 35 percent and applies to estates or gifts over \$500,000.

- The 35-percent maximum estate and gift tax rate was first enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, effective for estates of decedents dying, generation-skipping transfer, and gifts made, after December 31, 2009. The provision sunsets under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, as amended, for estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2012.
  - The provision has never been extended.
- b. Modifications of estate and gift taxes to reflect differences in credit resulting from different tax rates (secs. 2001(b)(2), 2001(g), and 2505(a))
- The computation of estate and gift taxes requires a computation of the aggregate amount of tax that would have been payable on the total amount of taxable gifts made by the decedent or transferor after December 31, 1976. The modification provides that the aggregate tax is computed using the rate of tax in effect at the decedent's death (for purposes of computing estate tax), or the rate of tax in effect for the calendar year for which the gift tax return is filed (for purposes of computing gift tax), rather than the rates of tax in effect for preceding calendar periods.
  - The provision was enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312. The provision sunsets under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, as amended, for estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2012.
  - The provision has never been extended.
- c. Increase in estate and gift tax exemption to \$5 million (indexed for inflation in years after 2011) (sec. 2010)
- The applicable exclusion amount is \$5 million, increased for inflation in years after 2011.
  - The provision was enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312. The provision sunsets under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, as amended, for estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2012.
  - The provision has most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2012, Pub. L. No. 111-312, through December 31, 2012.
- d. "Portability" rules permitting a surviving spouse to use the deceased spousal unused exclusion amount (sec. 2010(c))
- The applicable exclusion amount used for computing estate and gift taxes generally is a person's basic exclusion amount (\$5 million indexed for inflation) plus any unused exclusion amount of the deceased spouse.

- The provision was enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312. The provision sunsets under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, as amended, for estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2012.
  - The provision has never been extended.
- e. Estate tax deduction for State death taxes paid (secs. 2011, 2053, 2058, 2102, 2106, and 2604)
- A deduction is allowed against the value of the gross estate for certain estate, inheritance, legacy, or succession taxes paid to any State with respect to property included in the gross estate. The credit for State death taxes is repealed.
  - The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16. The repeal of the credit for State death taxes applies to estates of decedents dying after December 31, 2004. The deduction for State death taxes applies to estates of decedents dying, and generation-skipping transfers, after December 31, 2004. These provisions originally expired for estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2010.
  - The provision was extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, amending the sunset under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, to apply to estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2012.
- f. Expansion and clarification of estate tax conservation easement rules (secs. 2031(c)(2) and (c)(8)(A)(i))
- The provision repeals certain restrictions on the location of land subject to a qualified conservation easement. Additionally, the provision clarifies the date used to determine the value taken into account for determining the exclusion from the gross estate.
  - The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16. The provision originally expired for estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2010.
  - The provision was extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, amending the sunset under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, to apply to estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2012.
- g. Repeal of the qualified family-owned business deduction (sec. 2057)
- The provision repeals the qualified family-owned business deduction for the estates of decedents dying after December 31, 2003.

- The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16. The provision originally expired for estates of decedents dying after December 31, 2010.
  - The provision was extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, amending the sunset under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, to apply to estates of decedents dying after December 31, 2012.
- h. Modifications to generation-skipping transfer tax rules regarding deemed allocations of exemption to certain transfers in trust, severing of trusts, valuation, and relief for late elections (secs. 2632(c) and 2642(a)(3), (b)(1), (b)(2)(A), and (g))
- The provision modifies the generation-skipping transfer tax rules providing for deemed allocation of unused GST exemption to indirect skips, providing for the treatment of qualified severed trusts as separate trusts, modifying certain valuation rules, and providing relief for certain late elections.
  - The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16. The provision originally expired for estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2010.
  - The provision was extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, amending the sunset under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, to apply to estates of decedents dying, gifts made, or generation-skipping transfers, after December 31, 2012.
- i. Modifications to estate tax installment payment rules (secs. 6166(b)(1)(B)(ii), (b)(1)(C)(ii), (b)(8)(B), (b)(9)(B)(iii)(I), and (b)(10))
- The provision modifies the installment payment rules for estates holding a sufficiently significant interest in a closely held business. The provision increases the number of allowable partners and shareholders in a closely held business from 15 to 45, expands the availability of the installment payment provisions to include interests in qualifying lending and finance businesses, and clarifies that in order to qualify as holding company stock, stock must be non-readily-tradable stock.
  - The provision was enacted in the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16. The provision originally expired for estates of decedents dying after December 31, 2010.
  - The provision was extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, amending the sunset under the Economic Growth and Tax Relief Reconciliation Act of 2001, Pub. L. No. 107-16, to apply to estates of decedents dying after December 31, 2012.

**41. Refunds disregarded in the administration of Federal programs and Federally assisted programs (sec. 6409)**

- Under present law, any tax refund (or advance payment with respect to a refundable credit) received by an individual after December 31, 2009 begins a period of 12 months during which such refund may not be taken into account as a resource for purposes of determining the eligibility of such individual (or any other individual) for benefits or assistance (or the amount or extent of benefits or assistance) under any Federal program or under any State or local program financed in whole or in part with Federal funds.
- The provision was enacted in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2012.

## **C. Provisions Expiring December 31, 2013**

### **1. Credit for health insurance costs of eligible individuals (sec. 35(a))**

- Certain individuals are eligible for the health coverage tax credit (“HCTC”). The HCTC is a refundable tax credit equal to 72.5 percent of the cost of qualified health coverage paid by an eligible individual. In general, eligible individuals are individuals who receive a trade adjustment allowance or are eligible for the alternative trade adjustment assistance program, and individuals over age 55 who receive pension benefits from the Pension Benefit Guaranty Corporation. The credit is available on an advance basis through a program established by the Secretary of the Treasury.
- Section 35(a) was originally enacted by the Trade Act of 2002, Pub. L. No. 107-210, sec. 201(a), to provide a credit equal to 65 percent of the cost of qualified health coverage effective for taxable years beginning after December 31, 2001, but only for coverage months beginning 90 days after the date of enactment (August 6, 2002).
- The amount of the credit was temporarily increased by 1899A(a)(1) of the American Recovery and Reinvestment Tax Act of 2009 (“ARRA”), Pub. L. No. 111-5, to 80 percent of the cost of qualified health coverage effective for coverage months beginning on or after the first day of the first month beginning 60 days after the date of enactment (February 17, 2009) but not for coverage months beginning after December 31, 2010 (at which time the amount credit returned to 65 percent). Certain other enhancements to the credit were also made by ARRA; the enhancements generally expired at the same time. The increased amount of the credit (80 percent) was extended by section 119(a) of the Omnibus Trade Act of 2010, Pub. L. No. 111-344, to coverage months beginning before February 13, 2011. The other enhancements were also extended, generally for the same period.
- The Trade Adjustment Assistance Extension Act of 2011, Pub. L. No. 112-40, sec. 241(a), changed the amount of the credit to 72.5 percent for coverage months but also provides that the credit only applies to coverage months beginning before January 1, 2014. The enhancements generally are also extended and expire at the same time.

### **2. Determination of low-income housing credit rate (sec. 42(b)(2))**

- The low-income housing credit may be claimed over a 10-year period for the cost of building rental housing occupied by tenants having incomes below specified levels. The amount of the credit for any taxable year in the credit period is the applicable percentage of the qualified basis of each qualified low-income building. The provision provides a temporary applicable percentage of 9 percent for new buildings (including substantial rehabilitation expenditures for an existing building) that are not Federally subsidized for the taxable year and that are placed in service prior to December 31, 2013.
- The provision was enacted in the Housing and Economic Recovery Act of 2008, Pub. L. No. 111-289, which provides that the provision expires with respect to buildings that are placed in service on and after December 31, 2013.



### **3. Placed-in-service date for facilities (other than wind facilities) eligible to claim the electricity production credit (sec. 45(d))**

- A production tax credit is available for electricity produced from certain renewable resources during the 10-year period beginning after the related renewable power facility has been placed in service. The credit rate for 2011 is 2.2 cents per kilowatt hour for power produced at closed-loop biomass and geothermal facilities, and 1.1 cents per kilowatt hour for power produced at open-loop biomass, small irrigation power, municipal solid waste, marine/hydrokinetic, and certain hydropower facilities.<sup>30</sup>
- The provision was enacted as part of the Energy Policy Act of 1992, Pub. L. No. 102-386, at which time only electricity produced at qualified wind and closed-loop biomass facilities were credit-eligible. The credit originally expired for facilities placed in service after June 30, 1999.
- The credit has been extended and modified many times. Major modifications (listed below) occurred in 1999, 2004, 2005, and 2008. The Ticket to Work and Work Incentives Improvement Act of 1999, Pub. L. No. 107-170, extended the credit and added poultry waste facilities placed in service after 1999 as qualified renewable power facilities. The American Jobs Creation Act of 2004, Pub. L. No. 108-357, extended the credit and added open-loop biomass (which subsumed poultry waste), solar power, small irrigation power, and municipal solid waste as qualified renewable power resources. Facilities producing power using these resources were only eligible for 5 years of credit. In addition, the credit rate for power from such facilities was half the rate for electricity produced at qualified wind and closed-loop biomass facilities. The Energy Policy Act of 2005, Pub. L. No. 109-58, extended the credit (except for solar power facilities), increased the credit period to 10 years for all qualified facilities, and added qualified hydropower facilities to the list of credit-eligible facilities. The Energy Improvement and Extension Act of 2008, Pub. L. No. 343, extended the credit and added marine and hydrokinetic renewable energy as a qualified resource.
- The provision was most recently extended by the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, to include certain qualified facilities placed in service before January 1, 2014.<sup>31</sup>

### **4. Election to claim the energy credit in lieu of the electricity production credit for renewable power facilities other than wind facilities (sec. 48(a)(5))**

- A production tax credit is available for electricity produced from certain renewable resources during the 10-year period beginning after the related renewable power

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<sup>30</sup> Section 45(e)(2) requires the Secretary of the Treasury to determine and publish the 2012 inflation-adjusted credit rate by April 1, 2012.

<sup>31</sup> The placed-in-service date for wind facilities is December 31, 2012.

facility has been placed in service. The credit rate for 2011 is 2.2 cents per kilowatt hour for power produced at closed-loop biomass and geothermal facilities, and 1.1 cents per kilowatt hour for power produced at open-loop biomass, small irrigation power, municipal solid waste, marine/hydrokinetic, and certain hydropower facilities.<sup>32</sup> A taxpayer may elect to claim a 30-percent investment credit in lieu of the production credit for qualified renewable power property.

- The provision permitting an election to claim an investment credit in lieu of the production credit was enacted as part of the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, effective through December 31, 2013.<sup>33</sup>

#### **5. Three-year depreciation for race horses two years old or younger (sec. 168(e)(3)(A))**

- This provision assigns a recovery period of three years for any race horse that is two years old or younger at the time it is placed in service.
- The provision was enacted in the Heartland, Habitat, Harvest, and Horticulture Act of 2008, Pub. L. No. 110-246, for property placed in service after December 31, 2008 and before January 1, 2014.

#### **6. Placed-in-service date for partial expensing of certain refinery property (sec. 179C(c)(1))**

- The provision allows a taxpayer to elect to expense 50 percent of qualified refinery assets where there was a binding construction contract entered into before January 1, 2008 and which are placed in service after August 8, 2005, and before January 1, 2014, subject to various additional criteria.<sup>34</sup> A qualified refinery means any refinery located in the United States which is designed to serve the primary purpose of processing liquid fuel from crude oil or qualified fuels (as defined in section 45K(c)), or directly from shale or tar sands.
- The provision was enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, and was originally scheduled to expire for property placed in service after December 31, 2011.
- The provision was modified in the Energy Improvement and Extension Act of 2008, Pub. L. No. 110-343, to include property placed in service prior to January 1, 2014, when there was a binding construction contract before January 1, 2010, and to expand the definition of qualified refinery to include the processing liquid fuel directly from shale or tar sands.

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<sup>32</sup> Section 45(e)(2) requires the Secretary of the Treasury to determine and publish the 2012 inflation-adjusted credit rate by April 1, 2012.

<sup>33</sup> The expiration date with respect to wind facilities is December 31, 2012.

<sup>34</sup> The commencement-of-construction date for self-constructed property is December 31, 2009.

- The provision was most recently extended in the Energy Improvement and Extension Act of 2008, Pub. L. No. 110-343, and expires for property placed in service after December 31, 2013.

#### **7. Energy efficient commercial buildings deduction (sec. 179D(h))**

- A deduction is allowed (up to \$1.80 per square foot of the building) equal to the cost of energy efficient commercial building property relating to the (1) building envelope, (2) lighting, or (3) HVAC systems for buildings that meet specific energy standards, for property placed in service before January 1, 2014. Where the entire building does not meet the specific energy standards, a partial deduction of up to \$0.60 per square foot may be allowed for qualifying expenditures in each of the building subsystems listed above.
- The provision was first enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for property placed in service after December 31, 2005 and before January 1, 2008.
- The provision was most recently extended by the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, through December 31, 2013.

#### **8. Transfer of excess pension assets to retiree health accounts (sec. 420(b)(5))**

- The provision allows a transfer of excess pension assets (as defined under the provision) under a defined benefit plan to a section 401(h) retiree medical account under the plan to fund liabilities for retiree health benefits, subject to certain limitations and conditions. There are different rules, and a different definition of excess pension assets applies, for a transfer to fund future retiree health liabilities, and for plans covering collectively bargained employees, including multiemployer plans.
- The provision was enacted by the Omnibus Budget Reconciliation Act of 1990, Pub. L. No. 101-508, sec. 12011(a), effective for transfers in taxable years beginning after December 31, 1990 but the provision does not apply to transfers after December 31, 1995.
- The Pension Funding Equity Act of 2004, Pub. L. No. 108-214, sec. 204, extended the provision to apply to transfers before January 1, 2014. The Pension Protection Act of 2006, Pub. L. No. 109-208, secs. 841 and 842, amended section 420 to allow transfers to fund future liabilities for retiree health benefits and provide special rules for collectively bargained plans and allow transfers within multiemployer plans.

## **D. Provisions Expiring December 31, 2014<sup>35</sup>**

### **1. Incentives for alternative fuel and alternative fuel mixtures involving liquefied hydrogen (Expiring September 30, 2014)**

- a. Excise tax credits and outlay payments for liquefied hydrogen (secs. 6426(d)(5) and 6427(e)(6)(D)) (Expiring September 30, 2014).<sup>36</sup>
- b. Excise tax credits and outlay payments for liquefied hydrogen fuel mixtures (secs. 6426(e)(3) and 6427(e)(6)(D)) (Expiring September 30, 2014).
  - The provision provides for a 50 cents per gallon excise tax credit or payment for liquefied hydrogen used as fuel in a motor vehicle, motor boat or airplane and a 50 cents per gallon credit or payment for alternative fuel mixed with a traditional fuel (gasoline, diesel or kerosene) for use as a fuel (not limited to transportation applications).
  - The provision was enacted in the Safe, Accountable, Flexible, Efficient, Transportation Equity Act of 2005, Pub. L. No. 109-59, and is to expire September 30, 2014, in the case of liquefied hydrogen fuel.

### **2. Alternative motor vehicle credit for qualified fuel cell motor vehicles (sec. 30B(k)(1))**

- A credit is available through 2014 for vehicles propelled by chemically combining oxygen with hydrogen and creating electricity. The base credit is \$4,000 for vehicles weighing 8,500 pounds or less. Heavier vehicles can get up to a \$40,000 credit, depending on their weight. An additional \$1,000 to \$4,000 credit is available to cars and light trucks to the extent their fuel economy exceeds the 2002 base fuel economy set forth in the Code.
- The provision was enacted as part of the Energy Policy Act of 2005, Pub. L. No. 109-58 through December 31, 2014.

### **3. Alternative fuel vehicle refueling property (hydrogen refueling property) (sec. 30C(g)(1))**

- A 30-percent credit is available through 2014 for hydrogen refueling property.<sup>37</sup> The credit may not exceed \$30,000 per location for business property and \$1,000 for property installed at a principal residence.

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<sup>35</sup> The expiration dates of provisions that expire in 2014 on a date other than December 31, 2014 are specifically indicated.

<sup>36</sup> Related provisions for non-hydrogen fuel expired December 31, 2011.

<sup>37</sup> The related provision of section 30C for non-hydrogen alternative fuel vehicle refueling property expired December 31, 2011.

- For 2009 and 2010, the maximum credit for hydrogen refueling property was increased to \$200,000 per location. This change was made by the American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5.
- The provision was enacted as part of the Energy Policy Act of 2005, Pub. L. No. 109-58, effective for property placed in service after December 31, 2005, in tax years ending after such date, and before January 1, 2015.

**4. Automatic amortization extension for multiemployer defined benefit pension plans (sec. 431(d)(1)(C))**

- An application submitted to the IRS by a multiemployer defined benefit pension plan requesting an extension of up to five years of the amortization period applicable to an unfunded liability is automatically approved if certain requirements are met. A corresponding provision is contained in the Employee Retirement Income Security Act of 1974 (“ERISA”).
- The provision was originally enacted in the Pension Protection Act of 2006, Pub. L. No. 109-280, for applications for plan years beginning after 2007 that are submitted by December 31, 2014.

**5. Additional funding rules for multiemployer defined benefit pension plans in endangered or critical status (sec. 432 and sec. 221(c) of Pub. L. No. 109-280)**

- Multiemployer defined benefit pension plans are required to certify whether they are in endangered or critical status because they fall below certain funding criteria. Plans in endangered or critical status are subject to special funding rules that include specific targets for improving their funded status over a specified period. A corresponding provision is contained in ERISA.
- The provision was originally enacted in the Pension Protection Act of 2006, Pub. L. No. 109-280, for plan years beginning after 2007 and before January 1, 2015.

**6. Deemed approval of adoption, use or cessation of shortfall funding method for multiemployer defined benefit pension plans (secs. 201(b) and 221(c) of Pub. L. No. 109-280)**

- A multiemployer defined benefit pension plan that meets certain criteria may adopt, use or cease using the shortfall funding method and its adoption, use or ceasing to use the shortfall funding method is deemed approved by the IRS for purposes of the funding rules under the Code and ERISA.
- The provision was originally enacted in the Pension Protection Act of 2006, Pub. L. No. 109-280, for plan years beginning before January 1, 2015.

## **E. Provisions Expiring December 31, 2016**

### **1. Credit for residential energy property (sec. 25D(g))**

- A credit is allowed for 30 percent of the expenditures on solar electric or hot water, fuel cell, small wind, or geothermal heat pump property placed in service before January 1, 2017.
- The provision was first enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for property placed in service after December 31, 2005 and before January 1, 2008.
- The provision was substantially modified in the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, to add small wind and geothermal as qualifying property, and to remove a \$2,000 credit cap for solar electric property. The American Recovery and Reinvestment Tax Act of 2009, Pub. L. No. 111-5, removed the remaining credit caps for solar hot water, small wind, and geothermal and removed prohibitions on the use of subsidized energy financing.
- The provision was most recently extended by the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, through December 31, 2016.

### **2. Increased credit for business solar energy property (sec. 48(a)(2)(A)(i)(II))**

- The credit is increased from 10 percent to 30 percent of the expenditures on equipment that uses solar energy to generate electricity, to heat or cool a structure, or to provide solar process heat.
- The increased credit was first enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for property placed in service after December 31, 2005 and before January 1, 2008.
- The provision was most recently extended by the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, through December 31, 2016.

### **3. Credit for hybrid solar lighting systems (sec. 48(a)(3)(A)(ii))**

- The credit is 30 percent for equipment that uses fiber-optic distributed sunlight to illuminate the inside of a structure.
- The credit was first enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for property placed in service after December 31, 2005 and before January 1, 2008.
- The provision was most recently extended by the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, through December 31, 2016.

### **4. Energy credit for geothermal heat pump property, small wind property, and combined heat and power property (secs. 48(a)(3)(A)(vii), 48(c)(4), and 48(c)(3)(A)(iv))**

- The credit is 30 percent for businesses that install small wind property and 10 percent for geothermal heat pump property and combined heat and power property for property placed in service through December 31, 2016.

- The credit was first enacted in the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, for property placed in service through December 31, 2016.

**5. Credit for business installation of qualified fuel cells and stationary microturbine power plants (secs. 48(c)(1)(D) and (c)(2)(D))**

- The credit is 30 percent for businesses that install fuel cells (capped at \$1,500 per half kilowatt of capacity) and 10 percent for stationary micro turbines (capped at \$200 per kilowatt of capacity).
- The credit was first enacted in the Energy Policy Act of 2005, Pub. L. No. 109-58, for property placed in service after December 31, 2005 and before January 1, 2008.
- The Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, raised the cap for fuel cells from the prior limit of \$500 per half kilowatt of capacity.
- The provision was most recently extended by the Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, through December 31, 2016.

## **F. Provisions Expiring December 31, 2017**

### **1. Oil Spill Liability Trust Fund financing rate (sec. 4611(f)(2))**

- The provision taxes crude oil and petroleum products at 8 cents per barrel (9 cents in 2017) to fund the Oil Spill Liability Trust Fund.
- The provision was originally enacted by the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, Pub. L. No. 96-510, sec. 211(a).
- The tax expired at the end of 1994. It was reinstated in 2005 by the Energy Tax Incentives Act of 2005, Pub. L. No. 109-58, to sunset December 31, 2014.
- The tax was increased to 8 cents (9 cents in 2017) by Energy Improvement and Extension Act of 2008, Division B of Pub. L. No. 110-343, with a sunset of December 31, 2017.



## **G. Provisions Expiring December 31, 2018**

### **1. Black Lung Disability Trust Fund: increase in amount of excise tax on coal (sec. 4121(e)(2))**

- To finance the Black Lung Disability Trust Fund, a producer (manufacturer) excise tax is imposed on coal (other than lignite) mined in the United States. The tax rate is \$1.10 per ton for coal from underground mines and 55 cents per ton for coal from surface mines. Both rates are limited to a maximum of 4.4 percent of the coal's selling price. The tax does not apply to lignite or to coal mined in the United States that is to be exported.
- The provision was originally enacted in Black Lung Benefits Revenue Act, Pub. L. No. 95-227.
- The provision was modified by Black Lung Benefits Revenue Act of 1981, Pub. L. No. 97-119, the Tax Reform Act of 1986, Pub. L. No. 99-514, and the Omnibus Budget Reconciliation Act of 1987, Pub. L. No. 100-203.
- Under the Energy Improvement and Extension Act of 2008, Div. B of Pub. L. No. 110-343, the coal excise tax rates are scheduled to decline to 50 cents per ton for underground mines and 25 cents per ton for surface mines (both limited to two percent of the coal's selling price) on the earlier of January 1, 2019 or the first January 1 after which there is no balance of repayable advances that have been made to the Trust Fund and no unpaid interest on previous such advances.

## **H. Provisions Expiring December 31, 2020**

### **1. Placed-in-service date for eligibility for the credit for production from certified advanced nuclear power facilities (sec. 45J(d)(1)(B))**

- A 1.8 cent per kilowatt-hour credit is available to qualified nuclear power facilities for the first 8-years of production to the extent such facilities receive an allocation from the Secretary of the Treasury. The Secretary may allocate up to 6,000 megawatts of credit-eligible capacity. Qualified facilities must be placed in service by December 31, 2020.
- The provision was enacted as part of the Energy Policy Act of 2005, Pub. L. No. 109-58, effective for nuclear power produced in tax years beginning after August 8, 2005, at qualified facilities placed in service after such date and before January 1, 2021.

## **II. TEMPORARY DISASTER RELIEF FEDERAL TAX PROVISIONS EXPIRING 2011-2022**

### **A. Temporary Disaster Relief Federal Tax Provisions Expired December 31, 2011**

#### **1. New York Liberty Zone: tax-exempt bond financing (sec. 1400L(d)(2)(D))**

- An aggregate of \$8 million in tax-exempt private activity bonds is authorized for the construction and repair of infrastructure in New York City.
- The provision was originally enacted for tax-exempt bonds issued before January 1, 2005 as part of the Job Creation and Worker Assistance Act of 2002, Pub. L. No. 107-147.
- The provisions was most recently extended for tax-exempt bonds issued before January 1, 2012 by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312.

#### **2. Gulf Opportunity Zone: tax-exempt bond financing (sec. 1400N(a))**

- The provision authorizes the issuance of additional tax-exempt qualified private activity bonds to finance the construction and rehabilitation of residential and nonresidential property located in the Gulf Opportunity Zone and additional tax-exempt qualified mortgage bonds to finance certain loans to homeowners in this area. These bonds may only be issued by the States of Alabama, Louisiana, or Mississippi (or any political subdivision thereof). The provision also modifies the otherwise applicable private-activity bonds requirements with respect to these bonds.
- The provision was originally enacted in the Gulf Opportunity Zone Act of 2005 for bonds issued before January 1, 2011.
- The provision was most recently extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### **3. Low-income housing credit additional housing credit dollar amount for the Gulf Opportunity Zone and certain programmatic expansions for the Gulf Opportunity Zone, the Rita GO Zone, and the Wilma GO Zone (sec. 1400N(c))**

- Generally the low-income housing credit is available only with respect to otherwise qualified buildings if the building has an allocation from the annual credit cap allocated to the State in which the building is located. This annual credit cap generally is determined based on population with certain small-State minimums. The otherwise applicable credit cap was increased by \$18 dollars for each State resident within the Gulf Opportunity Zone for calendar years 2006, 2007, and 2008. The otherwise applicable credit cap was increased by \$3,500,000 for Texas (Hurricane Rita) and Florida (Hurricane Wilma) for calendar year 2006. The additional credit

cap expires unless the applicable low-income buildings are placed-in-service before January 1, 2012.

- The additional credit cap amounts were originally enacted in the Gulf Opportunity Zone Act of 2005, Pub. L. No. 109-135. These amounts were originally subject to the generally applicable low-income housing credit requirement that each building receiving an allocation of credit must be placed-in-service by the close of the second calendar year following the year of the allocation.
- The U.S. Troop Readiness Veteran's Care, Katrina Recovery, and Iraq Accountability Appropriations Act of 2007, Pub. L. No. 110-28, repealed the requirement that each building receiving an allocation of credit from the additional housing credit dollar amounts for the Gulf Opportunity Zone, Rita GO Zone and Wilma Go Zone must be placed-in-service by the close of the second calendar year following the year of the allocation.
- The placed-in-service date for buildings which received an additional credit cap amount with respect to the Gulf Opportunity Zone, Rita GO Zone and Wilma Go Zone was most recently extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, through December 31, 2011.

#### **4. Placed-in-service date for additional depreciation for specified Gulf Opportunity Zone extension property (sec. 1400N(d)(6))**

- Property qualifying for the additional first-year depreciation deduction ("bonus depreciation") in the Gulf Opportunity ("GO") Zone must have met all of the following requirements. First, the property must have been (1) property to which MACRS applies with an applicable recovery period of 20 years or less; (2) water utility property; (3) computer software other than computer software covered by section 197; (4) qualified leasehold improvement property; or nonresidential real property or residential rental property. Second, the original use of the property must have commenced in the GO Zone with the taxpayer after August 28, 2005 (the date Hurricane Katrina hit New Orleans, Louisiana). Third, the taxpayer must have acquired the property within the applicable time period (i.e., the property generally must have been acquired (1) on or after August 28, 2005, and before January 1, 2012, but only if no binding written contract for the acquisition was in effect before January August 28, 2005). Finally, the property must have been placed in service before January 1, 2012.<sup>38</sup>
- The Gulf Opportunity Zone Act of 2005, Pub. L. No. 109-135, provided an additional first-year depreciation deduction equal to 50 percent of the adjusted basis of qualified property placed in service after August 28, 2005 (the date Hurricane Katrina hit New Orleans, Louisiana) and before January 1, 2008 in the Gulf Opportunity ("GO") Zone

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<sup>38</sup> Certain personal property may qualify if placed in service within 90 days following December 31, 2011.

area that was not otherwise eligible for the general bonus depreciation provisions of section 168(k).

- The placed-in-service deadline for Gulf Opportunity Zone extension property was extended several times for nonresidential real property and residential rental property.
- The provision was most recently extended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, which provided an additional 50-percent first-year depreciation deduction for qualified GO Zone property placed in service before January 1, 2012.

**5. Increase in rehabilitation credit for structures located in the Gulf Opportunity Zone (sec. 1400N(h))**

- The provision increases from 20 to 26 percent, and from 10 to 13 percent, respectively, the rehabilitation credit under section 47 with respect to any certified historic structure or qualified rehabilitated building located in the Gulf Opportunity Zone.
- The provision was originally enacted in the Gulf Opportunity Zone Act of 2005, Pub. L. No. 109-135, effective with respect to qualified rehabilitation expenditures with respect to qualifying buildings or structures incurred on or after August 28, 2005, and before January 1, 2009.
- The provision was most recently extended in the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, Pub. L. No. 111-312, effective with respect to qualified rehabilitation expenditures with respect to qualifying buildings or structures incurred before January 1, 2012.

**6. Increase in rehabilitation credit for areas damaged by 2008 Midwestern severe storms, tornados, and flooding (sec. 702 of Division C of Pub. L. No. 110-343)**

- The provision applies an increase in the rehabilitation credit from 20 to 26 percent, and from 10 to 13 percent, respectively, with respect to any certified historic structure or qualified rehabilitated building which was damaged or destroyed as a result of the severe storms, tornados, or flooding giving rise to a Presidential declaration of a major disaster on or after May 20, 2008, and before August 1, 2008.
- The provision was enacted in the Tax Extenders and Alternative Minimum Tax Relief Act of 2008, Division C of Pub. L. No 111-343, applicable for qualified rehabilitation expenditures with respect to such buildings or structures incurred on or after the applicable disaster date (as prescribed by the provision) and before January 1, 2012.

## **B. Temporary Disaster Relief Federal Tax Provisions Expiring December 31, 2012**

### **1. Tax-exempt bond financing rules for areas damaged by 2008 Midwestern severe storms, tornados, and flooding (sec. 702 of Division C of Pub. L. No. 110-343)**

- This provision allows special tax-exempt private activity bonds to be issued to finance the construction and rehabilitation of certain residential and nonresidential property located in the Midwestern disaster area and additional tax-exempt qualified mortgage bonds to finance certain loans to homeowners in this area. The Midwestern disaster area is the area with respect to which a major disaster was declared by the President on or after May 20, 2008 and before August 1, 2008.
- The provision was originally enacted for bonds issued before January 1, 2013, as a part of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (DIV C of Pub. L. No. 110-343).

### **2. Tax-exempt bond financing rules for areas damaged by Hurricane Ike in 2008 (sec. 704 of Division C of Pub. L. No. 110-343)**

- This provision allows special tax-exempt private activity bonds to be issued to finance the construction and rehabilitation of certain residential and nonresidential property located in the Hurricane Ike disaster area and additional tax-exempt qualified mortgage bonds to finance certain loans to homeowners in this area. The Hurricane Ike disaster area is the area in the State of Texas or Louisiana with respect to which a major disaster was declared by the President on September 13, 2008.
- The provision was originally enacted for bonds issued before January 1, 2013, as a part of the Tax Extenders and Alternative Minimum Tax Relief Act of 2008 (DIV C of Pub. L. No. 110-343).

### **C. Temporary Disaster Relief Federal Tax Provisions Expiring December 31, 2013**

#### **1. Extension of replacement period for nonrecognition of gain for areas damaged by 2008 Midwestern severe storms, tornados and flooding (sec. 702 of Division C of Pub. L. No. 110-343)**

- The provision extends the replacement period to five years in the case of converted property located in the Midwestern disaster area that is compulsorily or involuntarily converted on or after the applicable disaster date by reason of a major disaster that was declared by the President on or after May 20, 2008, and before August 1, 2008. Under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. No. 100-707, sec. 401, the property must have been converted by reason of severe storms, tornados, or flooding occurring in any of the States of Arkansas, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, and Wisconsin.
- The provision was enacted in the Heartland Disaster Tax Relief Act of 2008, Pub. L. No. 110-343, and expires for property purchased after December 31, 2013.