Provisions in the Chairman's Modified Mark:

A Bill to Extend Certain Expiring Tax Provisions

Modifications to the Chairman's Mark

1. **Modification of accelerated depreciation for business property on an Indian reservation**

   The Chairman's modification provides an election out of the accelerated depreciation rules by a taxpayer for business property placed in service on Indian reservations under Section 168(j), similar to the election out allowed for bonus depreciation and several other accelerated depreciation measures in Section 168. Specifically, the provision provides that a taxpayer may elect out of section 168(j) for qualified Indian reservation property placed in service after December 31, 2014, and before January 1, 2017. *This modification is estimated to raise $12 million over 10 years relative to the provision in the Chairman's mark.*

2. **Expansion of the Work Opportunity Tax Credit to apply to hiring of the long-term unemployed**

   The modified mark would add the long-term unemployed to the list of eligible populations. An employer hiring someone who has exhausted their unemployment insurance benefits would be eligible for a 40 percent credit on the first $6,000 of wages paid that first year, or a maximum credit of $2,400 per employee. *This modification is estimated by to cost $305 million over 10 years relative to the provision in the Chairman's mark.*

3. **Modification of increased expensing limitations**

   A taxpayer may elect under Section 179 to deduct the cost of qualifying property rather than to recover such cost through depreciation deductions. The Chairman's mark provides that the maximum amount a taxpayer may expense for taxable years beginning in 2015 and 2016 is $500,000 and that such amount is reduced by the amount by which the cost of qualifying property placed in service exceeds $2,000,000. The Chairman's modification indexes for inflation the $500,000 expensing limitation and $2,000,000 phase-out limitation for taxable years beginning after 2014. *This modification is estimated to cost $115 million over 10 years relative to the provision in the Chairman's mark.*

4. **Reform the employer wage credit for activated military reservists**

Under current law, section 45P allows employers a credit who continue to pay their employees who are serving on active duty for the US military. Under current law, this credit is only available for employers with less than 51 employees. This proposed amendment would allow the credit to all employers of all sizes. Furthermore, the credit under current law is only for 20% of the first $20,000 in wages paid to deployed reservists and National Guard members; this proposed amendment would increase that percentage to 100%. *This modification is estimated to cost $256 million over 10 years relative to the provision in the Chairman's mark.*

5. **Railroad Track Maintenance Credit**

This modification would replace the extension of the Railroad Track Maintenance Credit in the Chairman's Mark. Similar to the Chairman's Mark, this modification would extend the railroad track maintenance credit for two years, through the end of 2016. The modification updates the own or lease date for qualified track from January 1, 2005, to January 1, 2015. Under this modification, track owned or leased by a Class II or Class III railroad as of January 1, 2015, would be eligible for the credit for years 2015 and 2016. *This modification is estimated to cost $8 million over 10 years relative to the provision in the Chairman's mark.*

6. **Modification of special expensing rules for certain film and television productions; special expensing for live theatrical productions**

Under Section 181, a taxpayer generally may elect to deduct up to $15 million of the aggregate cost of any qualifying film and television production, commencing prior to January 1, 2015, in the year the expenditure is incurred in lieu of capitalizing the cost and recovering it through depreciation allowances. The Chairman's mark extends the special treatment for film and television productions for two years to qualified film and television productions commencing prior to January 1, 2017. The Chairman's modification expands Section 181 to include any qualified live theatrical production and applies to productions commencing after December 31, 2014. *This modification is estimated to cost $2 million over 10 years relative to the provision in the Chairman's mark relative to the provision in the Chairman's mark.*

7. **Startup Innovation Credit—Modification of IRC section 41**

This amendment would expand the current R&D credit to qualifying startup businesses, allowing such company to claim the credit against taxes it pays on employee wages, not just against income tax. The benefit is capped at $250,000 per year. This credit can be offset against AMT liability. *This modification is estimated to cost $478 million over 10 years relative to the provision in the Chairman's mark.*

8. Modification of Transportation Fringe Benefit—Bike Share

This amendment would modify the qualified transportation benefit in section 132(f) to add expenses associated with the use of a bike sharing program to the list of qualifying expenses. *This modification is estimated to have no cost relative to the provision in the Chairman's mark.*

9. Modification of Empowerment Zone tax incentive requirements for tax-exempt enterprise zone facility bonds

States or local governments can issue enterprise zone facility bonds to raise funds to provide an enterprise zone business with qualified zone property. The proposal would modify the requirements for these bonds to treat an employee as a resident of an Empowerment Zone for purposes of the 35% in-zone employment requirement if they are a resident of a qualified low-income community within an applicable nominating jurisdiction. *This modification is estimated to cost $23 million over 10 years relative to the provision in the Chairman's mark.*

10. Extension of 4% Low-Income Housing Tax Credit (LIHTC) rate for acquisition of existing housing

The proposal establishes a 4% minimum credit rate under the LIHTC Program for the acquisition of existing housing that is not federally subsidized. Any existing housing that is also financed with tax-exempt bonds is not eligible for the 4% minimum credit rate. *This provision is estimated to cost $1 million over 10 years relative to the provision in the Chairman's mark.*

11. Energy efficient commercial buildings deduction

The modification updates qualifying efficiency standards to a more stringent level, and it allows tribal governments and non-profits to allocate the deduction to designers. *This modification is estimated to raise $8 million over 10 years relative to the provision in the Chairman's mark.*

12. Temporary adjustment of New Markets Tax Credit (NMTC) allocation authority for inflation

The NMTC is taken based on qualified equity investments made to acquire stock in a corporation, or a capital interest in a partnership, that is a qualified community development entity. The amount of stock or capital interest available is subject to the total amount of allocation authority made available each year per statute. The proposal would provide a one-time increase in NMTC allocation authority for 2015 and 2016 based on the rate of inflation between 2008 and 2015. Under the proposal, the allocation authority is increased to $3.94 billion for 2015 and 2016. *This modification is expected to cost $232 million over 10 years relative to the provision in the Chairman's mark.*

13. Qualified Zone Academy Bonds (QZABs)

The modified mark would reduce the private sector contributions requirement from 10 percent to 5 percent. *This modification is estimated to cost $37 million over 10 years relative to the provision in the Chairman's mark.*

14. Reform and Improve the Educator Expense Deduction

Under the Chairman's Mark, the above-the-line deduction for eligible educator expenses is extended for two years, through the end of 2016. This modification would index the $250 limitation to inflation. In addition, the modification would enable teachers to use the deduction to cover professional development expenses. *This modification is estimated to cost $23 million over 10 years relative to the provision in the Chairman's mark.*

15. Credit for nonbusiness energy property (Section 25C)

The modification also adjusts the qualification requirements by requiring windows, doors, and skylights to meet recent Energy Star requirements; by adjusting qualifications for water heaters and boilers; and by allowing energy efficient roofing products to qualify. *This modification is estimated to cost $56 million over 10 years relative to the provision in the Chairman's mark.*

<u>Revenue Raising Additions to the Chairman's Mark</u>

16. Exclude certain clean coal power grants from income

Section 402 of the Energy Policy Account of 2005 provides criteria for Federal financial assistance under the Clean Coal Power Initiative. To the extent the financial assistance comes in the form of a grant, award or allowance, it generally must be included in income. However, corporate taxpayers may be able to exclude this from income as a contribution to capital under section 118 of the Code. The proposal would extend eligibility for this exclusion to eligible non-corporate recipients of this financial assistance. To be eligible, the non-corporate recipient of such financial assistance must pay an upfront payment to the Federal government of 1.18 percent of the value of the grant, award, or allowance, and it must have qualified for relief under section 118 if the taxpayer had been a corporation. *This provision is estimated to raise $6 million over 10 years.*

17. To make modifications to the Alternative Fuels Tax Credit and Excise Tax for Liquefied Natural Gas (LNG) and Liquefied Propane Gas (LPG)

Modifications to the Alternative Fuels Tax Credit for LNG and LPG. The alternative fuel credit is 50 cents per gallon of alternative fuel or gasoline gallon equivalents of nonliquid alternative fuel sold by the taxpayer for use as a motor fuel in a motor vehicle or motorboat, sold for use in aviation or so used by the taxpayer. The proposal modifies the alternative fuel credit for LNG to be calculated on a per gallon energy equivalent basis with a gallon of diesel. The proposal also modifies the alternative fuel tax credit for LPG to be calculated on a per gallon energy equivalent basis with a gallon of gasoline.

Liquefied Natural Gas (LNG) Excise Tax Equalization. LNG is taxed at the same per-gallon rate as diesel fuel at 24.3 cents per gallon, though it contains less energy content per gallon than diesel, meaning it takes more than one gallon of LNG to travel the same distance as a gallon of diesel. This provision would lower the LNG tax rate so that the LNG tax rate is equal on an energy content basis rather than a volume basis (approximately 14.1 cents per gallon).

Propane Gas Excise Tax Equalization. Propane is taxed at the same per-gallon rate as gasoline at 18.3 cents per gallon, though it contains less energy content per gallon than gasoline, meaning it takes more than one gallon of propane to travel the same distance as a gallon of gasoline. This provision would lower the propane tax rate so that the propane and gasoline tax rates are equal on an energy content basis rather than a volume basis (approximately 13.2 cents per gallon). *This modification raises $31 million over 10 years.*

18. Improve mortgage interest deduction reporting

The provision amends Section 6050H(b)(2) to require third parties to provide additional information on returns relating to mortgage interest, including: (a) the amount of outstanding principal on the mortgage as of the beginning of the calendar year, (b) the address of the property securing the mortgage, and (c) the date of the origination of the mortgage. The provision applies to returns and statements due after December 31, 2016. *This provision is estimated to raise $1.806 billion over 10 years.*

Sense of the Senate

Sense of the Senate to express support for comprehensive tax reform

This provision expresses the sense of the Senate that Congress should pursue comprehensive tax reform that eliminates temporary provisions from the tax code, thus making permanent those provisions that merit such treatment and allowing others to expire, and that a major focus of tax reform should be fostering economic growth and lowering tax rates by broadening the tax base. *This provision has no revenue effect.*