

ESTIMATED REVENUE EFFECTS OF THE CHAIRMAN'S MARK OF
THE "TAX RELIEF ACT OF 2005,"
SCHEDULED FOR MARKUP BY THE COMMITTEE ON FINANCE ON NOVEMBER 10, 2005

Fiscal Years 2006 - 2015

[Millions of Dollars]

Provision	Effective	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-10	2006-15
I. Hurricane Disaster Relief Provisions													
A. Tax Benefits for Areas Affected by Hurricane Katrina													
1. Tax benefits for the Gulf Opportunity Zone [1]:													
a. Special allowance for certain property acquired after 8/27/05:													
1. Equipment (sunset 12/31/07).....	ppisa 8/27/05	-791	-702	59	357	269	219	164	112	72	44	-807	-195
2. Structures (sunset 12/31/08)	ppisa 8/27/05	-545	-591	-659	-261	-17	9	31	47	58	64	-2,073	-1,863
b. Increase expensing under section 179 (sunset 12/31/07).....	ppisa 8/27/05	-31	-27	-2	17	12	9	7	5	3	2	-31	-7
c. Special allocation of private activity bond financing (\$2,500 per capita).....	bia DOE & before 1/1/11	-13	-46	-87	-127	-167	-194	-200	-200	-200	-200	-440	-1,435
d. Additional advanced refunding permitted for all bonds issued by the three states and by all local issuers within Gulf Opportunity Zone (sunset 12/31/06).....	bia DOE	-37	-53	-50	-48	-46	-42	-33	-21	-14	-8	-234	-352
e. Increase in State housing credit ceiling - each of the three states receives an additional low-income housing credit allocation equal to three times the present-law allocation of credits in 2006 through 2009 [2]	bia DOE	-5	-23	-53	-90	-124	-138	-138	-138	-138	-138	-295	-985
f. Treatment of representations regarding income eligibility for purposes of qualified residential rental project requirement.....	DOE	----- <i>Negligible Revenue Effect</i> -----											
g. Application of New Markets Tax Credit to investments in community development entities serving Gulf Opportunity Zone.....	DOE	---	-20	-43	-50	-54	-59	-59	-59	-36	-8	-166	-387
h. Treatment of net operating losses attributable to Gulf Opportunity Zone losses.....	DOE	-1,023	-326	94	169	163	138	118	100	85	72	-923	-410
i. Treatment of public utility property disaster losses.....	DOE	-128	-17	29	23	19	15	12	10	8	6	-74	-24
j. Special rule for Gulf Opportunity Zone public utility casualty losses.....	DOE	-221	-40	39	33	28	24	20	17	15	13	-161	-71
k. Special rules for small timber producers:													
1. Increase reforestation expensing from \$10,000 to \$20,000 for expenses incurred in the Gulf Opportunity Zone, Rita Zone, and Wilma Zone (sunset 12/31/06).....	potya 8/27/05 & potya 9/23/05	-2	[3]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	-1	---
2. Treat small timber growers as farmers for purposes of the 5-year NOL carryback in section 172(b)(1)(G) for losses incurred in the Gulf Opportunity Zone, Rita Zone, and Wilma Zone (sunset 12/31/06).....	potya 8/27/05 & potya 9/23/05	-1	[3]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	[4]	-1	[3]

Provision	Effective	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-10	2006-15
I. Partial expensing for certain demolition and clean-up costs (sunset 12/31/07)	apoa 8/27/05	-85	-39	-5	3	3	3	3	3	3	3	-122	-106
m. Extend and expand to petroleum products expensing for environmental remediation costs (sunset 12/31/07) [5].....	epoa 8/27/05	-20	-40	-16	5	6	6	5	5	4	3	-66	-43
2. Removal of employer size limitation for Hurricane Katrina employee retention credit.....	wpoia 8/28/05 & before 1/1/06	-56	-18	-9	-4	-2	---	---	---	---	---	-90	-90
3. Extension of special rules for mortgage revenue bonds in the Gulf Opportunity Zone.....	fpb 1/1/11	---	---	-2	-7	-11	-15	-15	-15	-15	-15	-20	-96
B. Tax Benefits Related to Hurricanes Rita and Wilma [6] [7]													
1. Special rules for mortgage revenue bonds in the Hurricanes Rita and Wilma disaster areas.....	fpb 1/1/11	-1	-3	-4	-5	-7	-7	-7	-7	-7	-7	-20	-55
2. Special Rules for Use of Retirement Funds for Relief Relating to Hurricane Rita and Wilma:													
a. Penalty-free withdrawals from retirement plans for qualified Hurricanes Rita and Wilma distributions (capped at \$100,000 per taxpayer); allow amount of distribution to be repaid to an eligible retirement plan within three years and to be included in income ratably over three years.....	dma 9/22/05 & dma 10/22/05 & before 1/1/07	-173	-41	34	23	-5	-3	-3	-2	-2	-2	-162	-174
b. Recontributions of withdrawals for home purchases cancelled due to Hurricanes Rita and Wilma.....	before 9/24/05 & 10/24/05	----- Negligible Revenue Effect -----											
c. Loans from qualified plans for relief relating to Hurricanes Rita and Wilma.....	[8]	----- Negligible Revenue Effect -----											
3. Employee retention credit for employers of employees affected by Hurricanes Rita and Wilma (no employer size limitation).....	wpoia 9/23/05 & wpoia 10/23/05 & before 1/1/06	-15	-5	-3	-1	[3]	---	---	---	---	---	-24	-24
4. Temporary Suspension of Limitations for Qualified Corporate Charitable Contributions (qualified corporate contributions must be for relief efforts related to Hurricanes Rita or Wilma).....	[9]	-85	5	1	[3]	[3]	-1	-3	-3	-3	-3	-78	-91
5. Suspend the 10% and \$100 thresholds on personal casualty losses for losses which arise in the Hurricanes Rita and Wilma disaster areas.....	lao/a 9/23/05 & lao/a 10/23/05	-528	-611	-35	[3]	---	---	---	---	---	---	-1,174	-1,174
6. Allow residents of Hurricanes Rita and Wilma disaster areas as of September 23, 2005, and October 23, 2005, who experienced a loss of income due to Hurricanes Rita or Wilma to elect to use prior year's income in the calculation of the earned income credit and the refundable child tax credit	tyi 9/23/05 & tyi 10/23/05	-28	---	---	---	---	---	---	---	---	---	-28	-28
7. Secretarial authority to make adjustments regarding taxpayer and dependency status for taxpayers affected by Hurricanes Rita and Wilma.....	tybi 2005 or 2006	----- Negligible Revenue Effect -----											
Total of Hurricane Disaster Relief Provisions		-3,788	-2,597	-712	39	68	-35	-97	-145	-167	-174	-6,990	-7,610
II. Extension of Expiring Provisions													
A. Extensions Through 2009													
1. Tax capital gains and dividends with a 15%/0% rate structure:													
a. Capital gains (sunset 12/31/09).....	tyba 12/31/08	---	---	-1,549	-6,792	9,144	-11,963	[3]	[3]	---	---	803	-11,160
b. Dividends (sunset 12/31/09).....	tyba 12/31/08	---	---	-861	-4,099	-5,913	-4,101	-38	-29	---	---	-10,873	-15,041

Provision	Effective	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-10	2006-15
2. Increase section 179 expensing from \$25,000 to \$100,000 and increase the phaseout threshold amount from \$200,000 to \$400,000; include software in section 179 property; and extend indexing of both the deduction limit and the phaseout threshold (sunset 12/31/09).....	tyba 12/31/07	---	---	-2,605	-4,459	-209	2,707	1,772	1,222	826	476	-7,274	-271
3. Credit for elective deferrals and IRA contributions (sunset 12/31/09).....	tyba 12/31/06	---	-481	-1,428	-1,318	-842	-15	-16	-15	-15	-15	-4,068	-4,144
4. Deduction for qualified tuition and related expenses (sunset 12/31/09).....	prmi tyba 12/31/05	-420	-1,713	-1,835	-1,922	-1,504	---	---	---	---	---	-7,394	-7,394
B. One-Year Extensions													
1. Deduction of State and local general sales taxes (sunset 12/31/06).....	tyba 12/31/05	-525	-1,574	---	---	---	---	---	---	---	---	-2,099	-2,099
2. Increase AMT exemption by \$6,500 (single) and \$13,000 (joint) (sunset 12/31/06)	tyba 12/31/05	-10,888	-16,333	---	---	---	---	---	---	---	---	-27,221	-27,221
3. Treatment of nonrefundable personal credits under the individual alternative minimum tax (sunset 12/31/06) [10]	tyba 12/31/05	-573	-2,291	---	---	---	---	---	---	---	---	-2,864	-2,864
4. Extend and modify the R&E credit (sunset 12/31/06).....	apoaia 12/31/05	---	-4,654	-1,104	-818	-552	-143	---	---	---	---	-7,128	-7,271
5. Parity in the application of certain limits to mental health benefits (sunset 12/31/06) [11]	1/1/06	-3	-45	-10	---	---	---	---	---	---	---	-58	-58
6. Combine work opportunity tax credit and welfare-to-work tax credit (sunset 12/31/06)	wpoifibwa 12/31/05	-211	-258	-129	-60	-33	-17	-3	[3]	---	---	-690	-710
7. Extension and modification of qualified zone academy bonds (sunset 12/31/06)	bia 12/31/05	-2	-5	-12	-17	-19	-19	-19	-19	-19	-19	-55	-150
8. 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 (sunset 12/31/06) [12].....	abiUSa 12/31/05	-69	-18	---	---	---	---	---	---	---	---	-87	-87
9. Extension of enhanced deduction for qualified computer contributions (sunset for taxable years beginning after 12/31/06).....	cmd tyba 12/31/05	-66	-55	---	---	---	---	---	---	---	---	-121	-121
10. Above-the-line deduction for teacher classroom expenses capped at \$250 annually (sunset 12/31/06)	epoii tyba 12/31/05	-60	-139	---	---	---	---	---	---	---	---	-199	-199
11. Expensing of "Brownfields" environmental remediation costs (sunset 12/31/06)	epoia 12/31/05	-176	-109	16	18	22	20	18	16	13	11	-227	-149
12. Tax incentives for investment in the District of Columbia (sunset 12/31/06)	tyba 12/31/05	-58	-30	-2	-1	-4	-13	-46	-23	-21	-23	-95	-221
13. Indian employment tax credit (sunset 12/31/06).....	wahipoia12/31/05	-21	-29	-11	-1	---	---	---	---	---	---	-62	-62
14. Accelerated depreciation for business property on Indian reservation (sunset 12/31/06).....	ppisa 12/31/05	-161	-280	-104	23	77	120	98	52	6	-10	-445	-179
15. 15-year recovery of certain leasehold improvements and restaurant property (sunset 12/31/06).....	ppisa 12/31/05	-69	-194	-249	-245	-239	-222	-212	-220	-216	-208	-996	-2,074
Total of Extension of Expiring Provisions		-13,302	-28,208	-9,883	-19,691	-72	-13,646	1,554	984	574	212	-71,153	-81,475

III. Revenue Offset Provisions

A. Provisions Designed to Curtail Tax Shelters

1. Understatement of taxpayer's liability by income tax return preparer	dpa DOE	----- Negligible Revenue Effect -----											
2. Modifications of suspension of interest and penalties where the IRS fails to contact taxpayer.....	[13]	233	92	52	19	---	---	---	---	---	---	396	396

Provision	Effective	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-10	2006-15
3. Frivolous tax submissions	[14]	3	3	3	3	3	3	3	3	3	3	15	30
B. Economic Substance Doctrine													
1. Clarification of the economic substance doctrine and related penalty provisions.....	teia DOE	537	805	1,127	1,270	1,427	1,631	1,877	2,154	2,445	2,643	5,166	15,915
2. Penalty for understatements attributable to transactions lacking economic substance.....	teia DOE	----- <i>Estimate Included in Item III.B.1.</i> -----											
3. Deny deduction for interest paid to the IRS on underpayments involving certain tax motivated transactions.....	teia DOE	---	1	1	3	4	4	4	4	4	4	9	29
C. Improvements in Efficiency and Safeguards in Internal Revenue Service Collection													
1. Waiver of user fee for installment agreements using automated withdrawals.....	aeio/a 180da DOE	-2	-3	-3	-3	-3	-4	-4	-4	-4	-5	-14	-35
2. Termination of installment agreements.....	foo/a DOE	----- <i>Negligible Revenue Effect</i> -----											
3. Require partial payments with submissions of offers-in-compromise (24-month rule through 11/1/10; 12-month rule thereafter).....	osoaa 60da DOE	100	162	174	188	159	10	-28	-30	-32	-35	783	668
D. Penalties and Fines													
1. Increase in certain criminal penalties.....	aaftaoa DOE	[15]	[15]	[15]	[15]	[15]	[15]	[15]	[15]	[15]	[15]	1	5
2. Double certain penalties, fines, and interest on underpayments related to certain offshore financial arrangements	oyo/a DOE	2	1	[15]	[15]	[15]	[15]	[15]	[15]	[15]	[15]	5	7
3. Denial of deduction for certain fines, penalties, and other amounts.....	apoi/a DOE	46	59	28	12	12	12	12	12	12	12	157	215
4. Deny deduction for punitive damages.....	dpoi/a DOE	30	31	32	33	34	35	36	37	38	39	159	343
5. Increase in penalty for bad checks and money orders.....	comora DOE	2	2	2	2	2	2	2	2	2	2	10	20
E. Provisions to Discourage Expatriation													
1. Tax treatment of inversion transactions	[16]	182	226	140	176	213	256	313	379	413	450	937	2,748
2. Impose mark-to-market on individuals who expatriate	[17]	66	59	57	54	50	46	43	41	39	38	286	493
F. Miscellaneous Provisions													
1. Change the tax treatment of contingent convertible debt instruments	diio/a DOE	13	34	51	61	62	57	50	46	40	36	221	450
2. Grant Treasury regulatory authority to address foreign tax credit transactions involving inappropriate separation of foreign taxes from related foreign income.....	teia DOE	[15]	1	1	2	2	2	2	2	2	2	6	16
3. Repeal of special effective date for qualified transportation property under the leasing provisions of the American Jobs Creation Act of 2004.....	[18]	8	21	26	26	26	25	23	22	22	22	108	223
4. Application of earnings stripping rules to partners which are C corporations.....	tybo/a DOE	16	23	25	27	29	31	33	35	38	41	121	299
5. Prohibit deferral of stock option and restricted stock gains.....	aeo/a DOE	1	1	1	1	[4]	1	1	1	1	1	3	7
6. Limitation of employer deduction for certain entertainment expenses.....	eia DOE	2	4	4	5	5	5	5	6	6	6	20	51
7. Eliminate double deduction of mining exploration and development costs under the minimum tax	tyba DOE	55	30	28	26	24	25	24	22	18	17	163	269
8. Increase in age of minor children whose unearned income is taxed as if parent's income.....	tyba 12/31/05	56	145	203	219	153	204	242	260	298	349	776	2,128

Provision	Effective	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-10	2006-15
9. Holding period for preferred stock.....	tyba DOE	----- <i>Negligible Revenue Effect</i> -----											
Total of Revenue Offset Provisions		1,350	1,697	1,952	2,124	2,202	2,345	2,638	2,992	3,345	3,625	9,328	24,277
NET TOTAL		-15,740	-29,108	-8,643	-17,528	2,198	-11,336	4,095	3,831	3,752	3,663	-68,815	-64,808

Joint Committee on Taxation

NOTE: Details may not add to totals due to rounding.

Legend for "Effective" column:

- | | | |
|--|--|--|
| aaftaoa = actions and failures to act occurring after | dpoia/a = damages paid or incurred on or after | teia = transactions entered into after |
| abiUSa = articles brought into the United States after | eia = expenses incurred after | tyba = taxable years beginning after |
| aeio/a agreements entered into on or after | epoia = expenditures paid or incurred after | tybi = taxable years beginning in |
| aeo/a = any exchange on or after | epoii = expenses paid or incurred in | tybo/a = taxable years beginning on or after |
| apoia = amounts paid or incurred after | foo/a = failures occurring on or after | tyi = taxable year including |
| apoio/a = amounts paid or incurred on or after | fpb = financing provided before | wahipoia = wages and health insurance paid |
| bia = bonds issued after | lao/a = losses arising on or after | or incurred after |
| cmd = contributions made during | osoaa = offers submitted on and after | wpoia = wages paid or incurred after |
| comora = checks or money orders received after | oyo/a = open years on or after | wpoifibwa = wages paid or incurred for individuals |
| diio/a = debt instrument issued on or after | pmi = payments made in | beginning work after |
| DOE = date of enactment | potya = portion of taxable year after | 60da = 60 days after |
| dma = determinations made after | ppisa = property placed in service after | 180da = 180 days after |
| dpa = documents prepared after | | |

- [1] The "Gulf Opportunity Zone ('GO Zone')" is defined as that portion of the Hurricane Katrina disaster area determined by the President to warrant individual assistance, or individual and public assistance, from the Federal Government under the Robert T. Stafford Disaster Relief and Emergency Assistance Act by reason of Hurricane Katrina. The "Hurricane Katrina disaster area" is defined as an area with respect to which a major disaster has been declared by the President before September 14, 2005, under such Act by reason of Hurricane Katrina.
- [2] Increase allocation based on population of the GO Zone. Estimate assumes one-year carryforward.
- [3] Loss of less than \$500,000.
- [4] Gain of less than \$500,000.
- [5] Estimate includes interaction with item II.B.11.
- [6] The term "Rita Zone" is defined as that portion of the Hurricane Rita disaster area determined by the President to warrant individual or individual and public assistance from the Federal government under such Act by reason of Hurricane Rita. The term "Hurricane Rita disaster area" is defined as an area with respect to which a major disaster has been declared by the President before October 6, 2005, under section 401 of such Act by reason of Hurricane Rita.
- [7] The term "Wilma Zone" means that portion of the Hurricane Wilma disaster area determined by the President to warrant individual or individual and public assistance from the Federal government under such Act by reason of Hurricane Wilma. The term "Hurricane Wilma disaster area" is defined as an area with respect to which a major disaster has been declared by the President before October 25, 2005, under such Act by reason of Hurricane Wilma.
- [8] Increase in loan limits effective for loans made after the date of enactment and before January 1, 2007; repayment relief for loans outstanding on or after September 23, 2005, and October 23, 2005.
- [9] Effective for contributions made during the period beginning August 28, 2005, and ending on December 31, 2005.
- [10] The "Economic Growth and Tax Relief Reconciliation Act of 2001" provides that the child tax credit and adoption tax credit are allowed for purposes of the alternative minimum tax for 2002 through 2010. The proposal treats the alternative motor vehicle credit and the alternative fuel vehicle refueling property credit as nonrefundable personal credits.
- [11] This provision will have a negligible effect on penalty excise tax receipts. However it will have an indirect effect on income tax receipts through increases in employer-contributions for health insurance and corresponding decreases in cash wages. The table shows this indirect revenue effect, which was estimated by the Congressional Budget Office.
- [12] Estimate provided by the Congressional Budget Office and is preliminary and subject to change.
- [13] Effective as if included in the enactment of the American Jobs Creation Act of 2004.
- [14] Effective for submissions made and issues raised after the first list is prescribed under section 6702(c).
- [15] Gain of less than \$1 million.
- [16] Effective for certain transactions substantially completed after March 20, 2002.
- [17] Generally effective for U.S. citizens who expatriate or long-term residents who terminate their residency on or after the date of enactment.
- [18] Effective as if included in the provision of the American Jobs Creation Act of 2004 to which it relates.