Summary of Individual, Corporate and Renewable-Energy Tax Provisions in the Senate and House Versions of the American Recovery and Reinvestment Act

Shawn Fremstad

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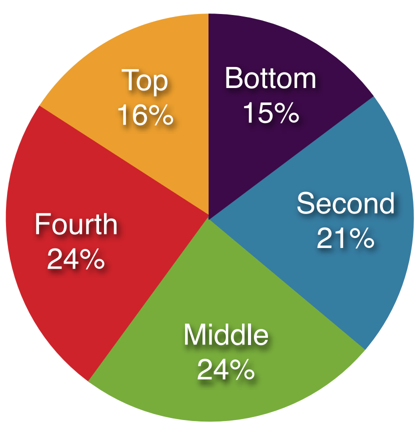
Center for Economic and Policy Research
1611 Connecticut Avenue, NW, Suite 400
Washington, D.C. 20009
202-293-5380
www.cepr.net

This table summarizes the individual, corporate and renewable-energy tax provisions of House and Senate versions of H.R. 1, the American Recovery and Reinvestment Act (ARRA): the version passed by the House on January 28 and the version currently under debate in the Senate (Amendment No. 98 in the Nature of a Substitute introduced January 31, 2009). (Various provisions related to state and local government finance are not summarized). For each provision, the table: briefly describes current law, summarizes how ARRA would change it, notes differences between the House and Senate, and lists the Joint Tax Committee's estimate of costs for 2009 to 2019. (Most of the tax provisions are temporary, so costs of permanent provisions would generally be higher). For some provisions, brief comments and the Tax Policy Center's distribution estimates are provided.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Individual Income Tax Provisions			
Making Work Pay Tax Credit	No provision.	*House:* For tax years 2009 and 2010, provides a refundable tax credit of up to $500 ($1,000 for joint returns). Credit would be calculated at a rate of 6.2% of earned income, and would phase out at a rate of 2% for taxpayers with adjusted gross income in excess of $75,000 ($150,000 for married couples filing jointly). Taxpayers could receive the credit through a reduction in the amount of income tax that is withheld from their paychecks, or through claiming the credit on their tax returns. *Senate*: Same, except would phase out at a rate of 4% and limit credit to $200 for elderly and persons with disabilities who receive $300 economic-recovery payment (non-tax provision in Senate and House bills).	*House:* $144.9 billion. *Senate*: $141.8 billion. Costs are all in FY2009-11.

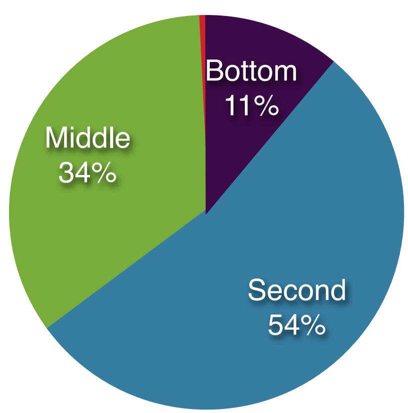
Distribution of New Benefits by Income Quintile

Making Work Pay Credit: House



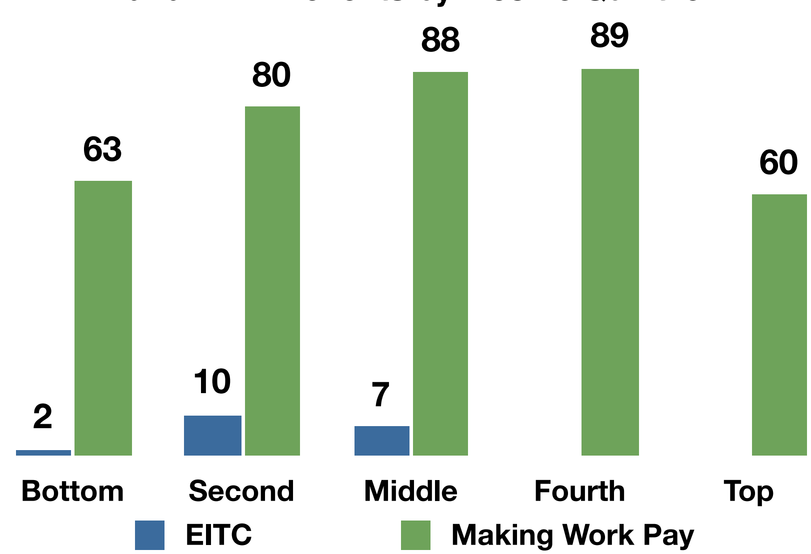
Source: Tax Policy Center, Table T09-0052

Earned Income Tax Credit



Source: Tax Policy Center, Table T09-0056

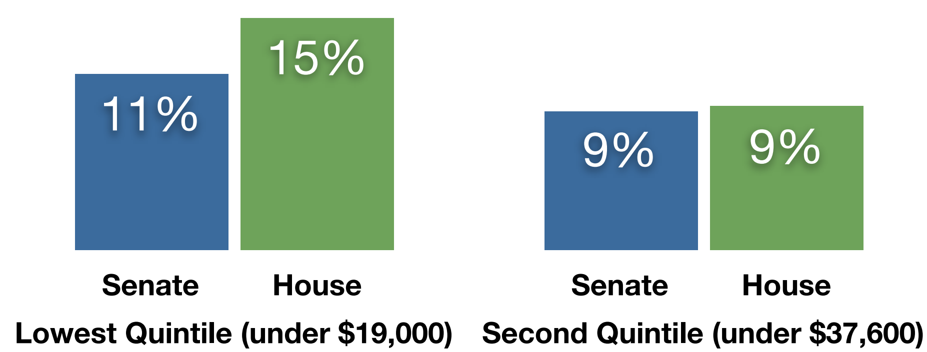
Percentage of Tax Units Receiving New EITC and MWP Benefits by Income Quintile



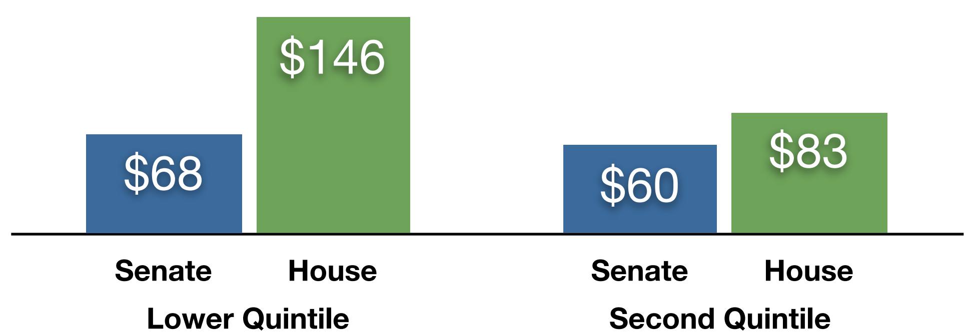
Source: Tax Policy Center, Tables Tables T09-0056 and T09-0052.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Increase in Earned Income Tax Credit for Married Couples and Families with Three or More Children	For married couples, beginning point of "phase-out range" is $3,120 higher than for individuals. For example, for married couples with no children, credit begins to phase out at $10,590 of earnings, compared to $7,470 of earnings for a single person. Families with two or more children currently qualify for an credit equal to 40% of the family's first $12,570 of earned income, subject to a phase-out for families with adjusted gross income in excess of $16,420 ($19,540 if filing jointly).	For families with three or more children, increases the credit to 45% of the first $12,570 of earned income. Maximum for these families would be $5,657. For all married couples filing a joint return (regardless of the number of children), increases the beginning point of the phase-out range by $1,880 ($5,000 higher than for single people). Both provisions limited to tax years 2009 and 2010.	$4.7 billion. (All in FY2009-2011). About half of benefits (53%) would go to families making $30,000-50,000 a year. About a tenth (11%) would go to families in the bottom fifth of the income distribution. Adults without children would continue to receive disproportionately small credit (maximum credit about 1/6 of the credit for family with one child).
Child Tax Credit Expansion	An individual may claim a tax credit for each qualifying child under the age of 17. The amount of the credit per child is $1,000 through 2010. If the credit exceeds the taxpayer's federal income tax liability, the taxpayer is eligible for a non-wastable (refundable) credit equal to 15% of earned income above $8,500 in 2008 ($12,550 in 2009). Families with lower earnings are ineligible.	*House:* Families with earnings below current-law threshold eligible for a non-wastable credit equal to 15 percent of earnings, up to current-law maximum credit of $1,000. *Senate:* Families with earnings above $6,000 eligible for a non-wastable credit equal to 15 percent of amount of earnings in excess of $6,000. For example, parent with earnings of $6,500 would receive credit equal to $75. Both provisions limited to tax years 2009 and 2010.	*House:* $18.3 billion (all in FY2010-2011). *Senate:* $10.5 billion (all in FY2010-2011). About 70% of benefits under House provision would go to tax units with income under $20,000. About 15% of such units would receive benefits. *Senate* provision would continue to exclude many parents working part-time because of a disability or to care for a disabled child.

Share of Tax Units Receiving New Benefit Under CTC Expansion



Average Amount of New CTC Benefit



Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Reducing Alternative Minimum Tax	The alternative minimum tax (AMT) disallows various deductions and exclusions and sets a minimum tax rate of either 26% or 28% on amounts above an exemption so that upper-income taxpayers pay at least a minimum amount of income tax. In part because of the 2001 and 2003 tax cuts, which provided large tax reductions for most upper-income families, an increasing share of such taxpayers have been subject to the AMT. In recent years, Congress has modified the AMT on an annual basis to limit its impact. Under current law, the AMT exemption for 2009 is $33,750 ($45,000 for joint returns). Last year, Congress increased the 2008 exemption to $46,200 ($69,950) and allowed personal tax credits to offset AMT liability.	*Senate:* For tax year 2009, increases AMT exemption to $46,700 ($70,950 for joint filers) and allows personal credits to offset AMT liability. *House*: Current law.	*Senate:* $69.8 billion (2009-2010). Nearly four out of every ten dollars of the benefits (almost $27 billion) would go to taxpayers with incomes greater than $200,000. AMT reform should be addressed in separate legislation, limited to middle-income taxpayers, and accomplished in a cost-neutral fashion.

91%

$4,618

Percent of Tax Units with Income Between $200,000 and $500,000 Receiving Benefits Under Senate AMT Reduction and Average Amount of Benefits

11%

$68

Percent of Tax Units with Income in Bottom Quintile (below $19,000) Receiving Benefits Under Senate Child Tax Credit Expansion and Average Amount of Benefits

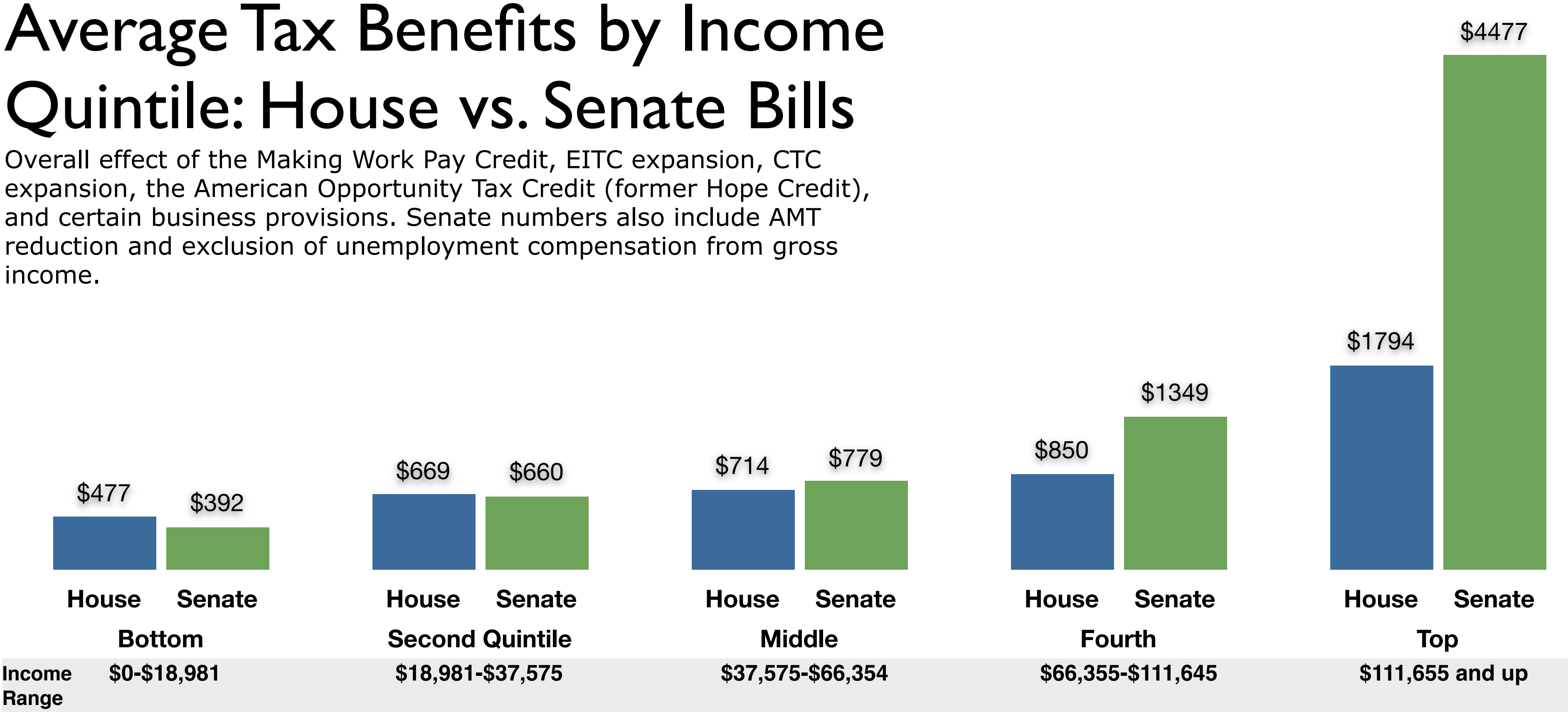
Source: Tax Policy Center.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Education Tax Credit	The Hope Tax Credit provides a nonrefundable credit against federal income taxes of up to $1,800 (for 2009) per eligible student for qualified tuition and related expenses paid for the first two years of the student's post-secondary education in a degree or certificate program. Credit rate is 100 percent on the first $1,200 of qualified tuition and related expenses, and 50 percent on the next $1,200 of qualified tuition and related expenses (amounts are indexed for inflation). Credit is phased out ratably for taxpayers with modified adjusted gross income between $50,000 and $60,000 ($100,000 and $120,000 for married taxpayers filing a joint return) for 2009.	*House:* Renamed the American Opportunity Tax Credit, would provide 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 modified credit that a taxpayer may otherwise claim is phased out ratably for taxpayers with modified adjusted gross income between $80,000 and $90,000 ($160,000 and $180,000 for married taxpayers filing a joint return). Up to 40 percent of credit is refundable. *Senate:* Same, except only 30 percent of credit would be refundable.	*House*: $13.7 billion. *Senate*: $12.9 billion. All costs in FY2009-2011. Lifetime Learning Credit —which, unlike Hope Credit, is available to workers who are attending education or training on less than a half-time basis—should also be refundable to supports skills upgrading by low-wage workers.
First-Time Home Buyer Credit	For homes purchased on or after April 9, 2008 and before July 1, 2009, a taxpayer who is a "first-time home buyer" (no ownership interest in a principle residence in three-year period prior to purchase) is allowed a refundable tax credit equal to the lesser of $7,500 ($3,750 for a married individual filing separately) or 10 percent of the purchase price of a principal residence. The credit is recaptured ratably over fifteen years with no interest charge beginning in the second taxable year after the taxable year in which the home is purchased.	*House:* Waives the recapture of the credit for home purchases after December 31, 2008 and before July 1, 2009. *Senate:* Same, except provision applies to home purchases after December 31, 2008 and before *September* 1, 2009	*House*: $2.6 billion. *Senate*: $3.7 billion.
Parity for Transportation Fringe Benefits	Qualified transportation fringe benefits provided by an employer— including parking, transit passes, vanpool benefits, and qualified bicycle commuting reimbursements—are excluded from an employee's gross income for income tax purposes and from an employee's wages for payroll tax purposes. Up to $230 (for 2009) per month of employer-provided parking is excludable from income. Up to $120 (for 2009) per month of employer-provided transit and vanpool benefits are excludable from gross income.	*Senate:* For tax years 2009 and 2010, the monthly exclusion for employer-provided transit and vanpool benefits is set at the same level as the exclusion for employer-provided parking. *House:* No provision.	*Senate:* $192 million (all in FY2009-2011). Beyond exclusion, additional incentives and benefits should be provided for transit, van pooling, and bicycling.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Taxation of Unemployment Compensation	Unemployment benefits treated as earned income for federal income tax purposes.	*House:* Current law. *Senate*: First $2,400 of benefits received in 2009 excluded from gross income.	*Senate*: $4.7 billion (all in FY2009-2010). House and Senate also provide $25 a month increase in unemployment benefits.

Average Tax Benefits by Income Quintile: House vs. Senate Bills

Overall effect of the Making Work Pay Credit, EITC expansion, CTC expansion, the American Opportunity Tax Credit (former Hope Credit), and certain business provisions. Senate numbers also include AMT reduction and exclusion of unemployment compensation from gross income.



Source: Preliminary Estimates of the Urban/Brookings Tax Policy Center, Tables T09-0050 and TO9-0062.

Corporate Income Tax Provisions

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Bonus Depreciation, Election to Accelerate AMT and Research Credits	In 2008, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting the immediate write-off of fifty percent of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008. In lieu of depreciation, certain taxpayers may "expense" (deduct) costs. Limit is $250,000 in 2008 and $125,000 in 2009 and 2010. Corporations otherwise eligible for additional first year depreciation may elect to claim additional research or minimum tax credits in lieu of claiming depreciation.	*House*: Extends bonus depreciation for capital expenditures incurred in 2009 and $250,000 limit on expensing, but not election to claim addition credits in lieu of depreciation. *Senate*: Extends all three provisions.	*House*: $5.1 billion. *Senate*: $6.2 billion. Federal Reserve and other studies conclude similar provisions enacted in early 2000s had little impact on investment.
Five-Year Carry Back of Net Operating Losses	Net operating losses (NOL) may be carried back to the two years before the year that the loss arises and carried forward to each of the succeeding twenty years after the year that the loss arises. Carry back limited to 90% of taxpayer's alternative minimum tax liability.	For 2008 and 2009 losses, extends the maximum carry back period to five years. Carry backs allowed to offset all (100%) of alternative minimum tax liability. Benefit denied to Fannie Mae, Freddie Mac, and companies that received money from the Temporary Asset Relief Program. *House* also specifies that if an election is made to increase the carryback period, the applicable NOL is permanently reduced by 10 percent.	*House*: $15 billion. *Senate*: $19.5 billion. According to Tax Policy Center, could stimulate new investment by increasing cash flow to businesses that cannot borrow, "but effect would be modest at best given current economic downturn."

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Modification of Work Opportunity Tax Credit	Businesses are allowed to claim a credit equal to 40 percent of the first $6,000 of wages paid to employees of one of nine targeted groups: 1) long-term TANF beneficiaries; 2) certain other TANF beneficiaries; 3) certain Food Stamp beneficiaries; 4) certain residents of federally designated Empowerment Zones, Enterprise Communities, and Renewal Communities, 5) certain Summer Youth employees; 6) certain veterans who have received food stamps or disability benefits; 7) vocational rehabilitation participants; 8) certain ex-felons; and 9) SSI beneficiaries. Maximum credit is $2,400.	Adds two new target groups: 1) unemployed veterans who have received unemployment compensation for more than four weeks; and 2) "disconnected youth" who are between the ages of 16 and 25 and have not been regularly employed or attended school in the past 6 months.	$208 million. Research on current credit is limited, but suggests little or no impact on hiring. New and existing funds would be better used for directly creating public "transitional jobs" for persons with limited employment histories or in circumstances that limit ability to obtain employment.
General Business Tax Credit	The "general business tax credit"—the total of various specified tax credits to business—is limited to the excess of the taxpayer's net income tax over the greater of the taxpayer's tentative minimum tax or 25 percent of so much of the taxpayer's net regular tax liability as exceeds $25,000. Business credits in excess of the limitation may be carried back one taxable year and forward up to 20 taxable years.	*Senate*: Extends carryback period of business credits from 2008 and 2009 to five years, and allows them to offset 100% of tax liability. *House*: Current law.	*Senate*: $11 billion.
Deferral of Certain Income of Discharge of Indebtedness	Gross income for tax purposes generally includes income that is realized by a debtor from the discharge of debt in bankruptcy.	*Senate:* Permits a taxpayer to elect to defer income from cancellation of indebtedness recognized by the taxpayer as a result of a repurchase of a "debt instrument" issued by the taxpayer by 1) the taxpayer or 2) a person who bears a specified relationship to the taxpayer. The provision applies to repurchases for cash made between December 31, 2008 and January 1, 2011. *House:* Current law.	*Senate:* $813 million.
Reduction in S Corporation Built-in Gains Holding Period	Where a corporation that was formed as a C corporation elects to become an S corporation, the S corporation is taxed on all gains that were built-in at the time of the election if such gains are recognized during the first ten years of the S-corporation (the "built-in gains holding period")	*Senate:* For tax years 2009 and 2010, reduces the built-in gains holding period to seven years. *House:* Current law.	*Senate:* $415 million.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Exclusion of Gains from Sale of Stock Acquired at Original Issue	Individuals may exclude 50% of the gain from the sale of certain "small business" stock (gross assets of the corporation may not exceed $50 million) acquired at original issue and held for at least five years.	*Senate:* For stock sold after date of enactment and before January 1, 2011, exclusion is increased to 75%. *House:* No provision.	*Senate:* $829 million.
Investment Tax Credit for Broad band Expenditures	No broadband-specific credit.	*Senate:* For equipment placed in service after December 31, 2008, and before January 1, 2011, establishes 1) a 10% credit for investment in *current- generation* broadband in rural and under-served areas (20% credit for in *un*served areas); and 2) a 20% credit for investment in *next-generation* broadband in rural, under-served, and unserved areas. The basis of qualified property must be reduced by the amount of credit received. *House:* No provision.	*Senate:* $110 million.
Deductibility of Losses Under Section 382(h) of Internal Revenue Code as Applied to Banks	Section 382(h) of the Internal Revenue Code limits the extent to which acquiring companies may offset their taxable income with the pre-acquisition losses of a company they acquire. In October 2008, the Treasury Department issued a notice stating that it would not apply the limitation to banks.	Effectively repeals notice prospectively, by only allowing application to ownership changes that occurred: 1) on or before January 16, 2009; or 2) after January 16, 2009, if change is pursuant to a contract entered into on or before such date or is pursuant to a written agreement entered into on or before such and described before the date in a public announcement or SEC filing.	Saves $7 billion over ten years. Since notice lacked legal authority, should also apply retrospectively.
Renewable Energy (Individual and Business Provisions)			
Renewable Electricity Tax Credit	Provides income tax credit for the production of electricity from certain renewable energy resources. Credit is generally available for facilities (know as Section 45 facilities) that are placed in service before 2010 or 2011 (depending on type of facility).	Extends placed-in-service dates: 1) for wind, through 2012; 2) for biomass, geothermal, small irrigation, hydropower, landfill gas, waste-to-energy, and marine renewable facilities, through 2013.	$13.1 billion.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Energy Credit	Businesses are allowed a 30% tax credit for qualified small wind energy property; the credit is capped at $4,000. Individuals are allowed a 30% tax credit for qualified solar water heating property (capped at $2,000), qualified small wind energy property (capped at $500 per kilowatt of capacity, up to $4,000), and qualified geothermal heat pumps (capped at $2,000).	Removes the caps. Provides irrevocable election for taxpayers to claim 30% investment credit rather than production credit for certain qualified section 45 facilities placed in service in 2009 and 2010.	$604 million. *House:* $218 million *Senate:* $285 million
Tax Credits for Home Energy-Efficient Improvements	Individuals are allowed a non-refundable credit equal to 10% of the amount paid or incurred by the taxpayer for "qualified energy efficiency improvements" installed during the taxable year. In addition, specified credits are available for certain improvements: $50 for any advanced main air circulating fan, $150 for any qualified natural gas, propane, oil furnace or hot water boiler, and $300 for any item of "qualified energy-efficient building property." Maximum credit for a taxpayer with respect to the same dwelling for all taxable years is $500. Credit applies to expenditures made after December 31, 2008 for property placed in service after December 31, 2008, and prior to January 1, 2010.	For tax years 2009 and 2010, increases credit to 30%, replaces the individual specified credits with a 30% credit, and increases the aggregate cap to $1,500. Credit extended through December 31, 2010.	$4.3 billion, all in FY2009-2011. Credit should be made refundable.
New Clean Renewable Energy Bonds	Up to $800 million in clean renewable energy bonds ("CREBs") may be issued by state and local governments, public power providers and electric cooperatives to finance facilities that generate renewable electricity—wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation, hydropower, landfill gas, marine renewable, and trash combustion facilities.	Authorizes issuance of up to an additional $1.6 billion of CREBs.	$578 million.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Qualified Energy Conservation Bonds	Up to $800 million in qualified energy conservation bonds may by issued by state and local governments to finance: 1) capital expenditures incurred for purposes of reducing energy consumption in publicly owned buildings by at least 20 percent; implementing green community programs; rural development involving the production of electricity from renewable energy resources; or any facility eligible for the production tax credit under section 45; 2) expenditures with respect to facilities or grants that support research in: a) development of cellulosic ethanol or other non-fossil fuels; b) technologies for the capture and sequestration of carbon dioxide produced through the use of fossil fuels; c) increasing the efficiency of existing technologies for producing non-fossil fuels; d) automobile battery technologies and other technologies to reduce fossil fuel consumption in transportation; and e) technologies to reduce energy use in buildings; 3) mass commuting facilities and related facilities that reduce the consumption of energy, including expenditures to reduce pollution from vehicles used for mass commuting; 4) demonstration projects designed to promote the commercialization of: a) green building technology; b) conversion of agricultural waste for use in the production of fuel or otherwise; c) advanced battery manufacturing technologies; d) technologies to reduce peak-use of electricity; and e) technologies for the capture and sequestration of carbon dioxide emitted from combusting fossil fuels in order to produce electricity; and 5) public education campaigns to promote energy efficiency.	Authorizes issuance of up to an additional $2.4 billion of bonds.	$803 million.
Tax Credits for Alternative Fuel Pumps	Tax payers may claim a 30% credit for the cost of installing fuel pumps that dispense E85, hydrogen, natural gas, and other qualified “clean-burning” fuels. Maximum credit is $30,000 per taxable year for pumps used in a trade or business and $1,000 for pumps installed at a principle residence.	For pumps placed in service in 2009 or 2010, the maximum credit is increased to $200,000 for hydrogen and $50,000 for other fuels. The nonbusiness credit is increased to 50% with a maximum of $2,000.	$54 million.

Provision	Current Law	American Recovery and Reinvestment Plan	Cost and Comments
Alternative Motor Vehicle Credit	Owners of a plug-in electric motor vehicle may claim a credit equal to $2,500 plus another $417 for each kilowatt-hour of battery capacity, subject to a cap based on vehicle weight ($7,500 for a vehicle weighing 10,000 pounds or less. The credit phases out over four quarters once 250,000 credit-eligible vehicles have been sold.	*Senate:* Increases the vehicle limitation to 500,000 vehicles. Creates a new 10% credit for "low-speed vehicles", motorcycles, and three-wheeled vehicles that meet the plug-in motor vehicle definition; this credit is capped at $4,000. *House:* Current law.	*Senate:* $94 million.
Increased Credit for Energy Research	Section 41 of the Internal Revenue Code provides a tax credit for a portion of expenditures on certain types of research.	Increases the research credit by 20% for qualified energy research expenses paid or incurred in 2009 or 2010. Qualified energy research expenses are qualified research expenses related to the fields of fuel cells and battery technology, renewable energy, energy conservation technology, efficient transmission and distribution of electricity, and carbon capture and sequestration.	$18 million.

Acknowledgments

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Additional Information

For more detailed descriptions and cost estimates, see:

- Joint Committee on Taxation, Estimated Budget Effects of the Revenue Provisions Contained in Titles I and III of S. 350 as Reported by the Committee of Finance (JCX-16-09; February 2, 2009).
- Joint Committee on Taxation, Estimated Budget Effects of the Revenue Provisions Contained in Division B, Titles I and III of H.R. 1 as Passed by the House of Representatives on January 28, 2009 (JCX-14-09; January 30, 2009).
- Joint Committee on Taxation, Description of the Chairman's Modifications to the Revenue Provisions of the "American Recovery and Reinvestment Tax Act of 2009" (JCX-12-09; January 27, 2009).
- Joint Committee on Taxation, Description of the American Recovery and Reinvestment Tax Act of 2009 (JCX-10-09; January 23, 2009).
- Joint Committee on Taxation, Description of Chairman's Amendment in Nature of a Substitute to Titles I and III of H.R. 598 (JCX-8-09; January 22, 2009).
- Joint Committee on Taxation, Description of Title I of H.R. 598, The American Recovery and Reinvestment Tax Act of 2009 (JCX-5-09; January 21, 2009).

For distribution estimates, see: Urban-Brookings Tax Policy Center, 2009 Stimulus Proposals.