The Tax Provisions in the American Recovery and Reinvestment Act

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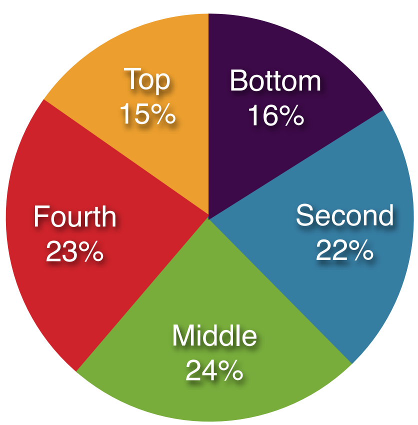
This table summarizes tax provisions of H.R. 1, the American Recovery and Reinvestment Act (the "Recovery Act"). For each provision the table: briefly describes current law, summarizes how the Recovery Act changes it, and lists the Joint Tax Committee's estimate of costs for 2009 to 2019. (Most of the tax provisions are temporary, so costs of permanent provisions would generally be higher). For some provisions the table provides brief comments and the Tax Policy Center's distribution estimates. The first column includes the section of the Recovery Act the provision is found in and the section of the Internal Revenue Code it amends.

Provision	Current Law	Recovery Act	Cost and Comments
Individual Income Tax Provisions			
Making Work Pay Tax Credit §1001; §36A	No provision.	For tax years 2009 and 2010, provides a refundable tax credit of up to $400 ($800 for joint returns). Credit calculated at a rate of 6.2% of earned income (equal to employee share of social security tax). Taxpayers with adjusted gross incomes above $95,000 ($190,000 for joint filers) are ineligible (2% phase out begins at $75,000 ($150,000). Credit limited to $150 for persons who receive $250 economic-recovery payment (non-tax provision), i.e., retirees, disabled individuals and SSI recipients receiving benefits from the Social Security Administration, Railroad Retirement beneficiaries, and disabled veterans receiving benefits from the U.S. Department of Veterans Affairs.	$116.2 billion. Costs are all in FY2009-11.

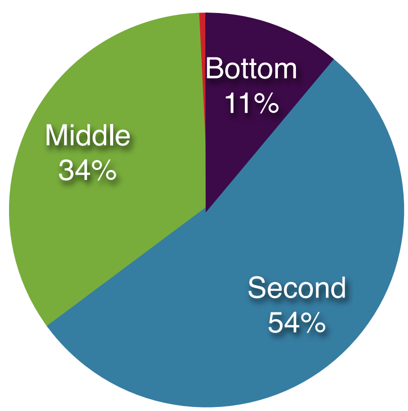
Distribution of New Benefits by Income Quintile

Making Work Pay Credit: House



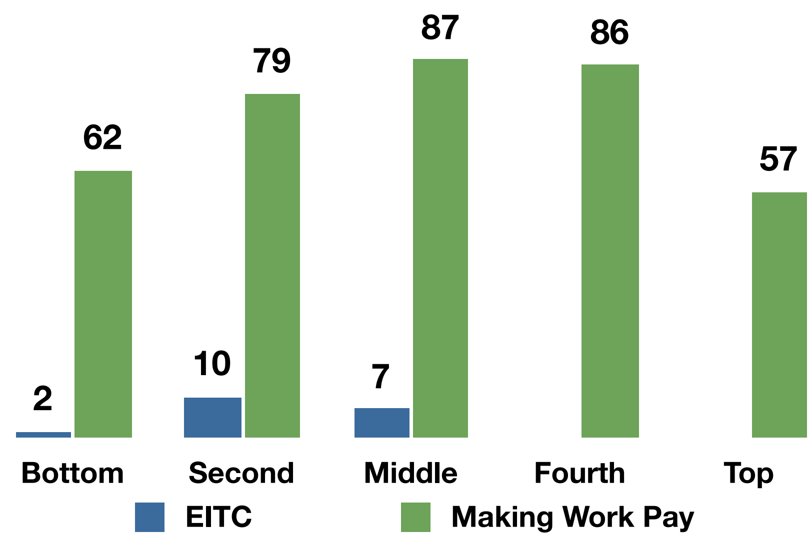
Source: Tax Policy Center, Table T09-0104

Earned Income Tax Credit



Source: Tax Policy Center, Table T09-0106

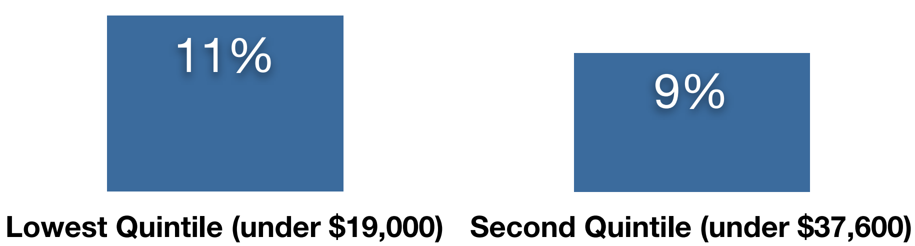
Percentage of Tax Units Receiving New EITC and MWP Benefits by Income Quintile



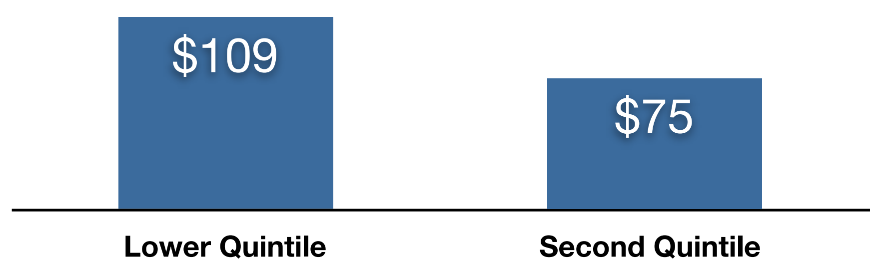
Source: Tax Policy Center, Tables Tables T09-0104 and T09-0106.

Provision	Current Law	Recovery Act	Cost and Comments
Increase in Earned Income Tax Credit for Married Couples and Families with Three or More Children **§1002; §32**	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 a 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.	$4.66 billion. (All in FY2009-2011). About half of benefits (54%) will 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 will continue to receive disproportionately small credit (maximum credit about 1/6 of the credit for family with one child).
Child Tax Credit Expansion **§1003; §24**	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.	Families with earnings above $3,000 eligible for a non-wastable credit equal to 15 percent of earnings, up to current-law maximum credit of $1,000. Provision limited to tax years 2009 and 2010.	$14.83 billion (all in FY2010-2011).

Share of Tax Units Receiving New Benefit Under CTC Expansion



Average Amount of New CTC Benefit



Source: Tax Policy Center, T09-0108

Provision	Current Law	Recovery Act	Cost and Comments
Reducing Alternative Minimum Tax §1011-12; §55	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.	For tax year 2009, increases AMT exemption to $46,700 ($70,950 for joint filers) and allows personal credits to offset AMT liability.	$69.759 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 AMT Reduction and Average Amount of Benefits

14%

$109

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

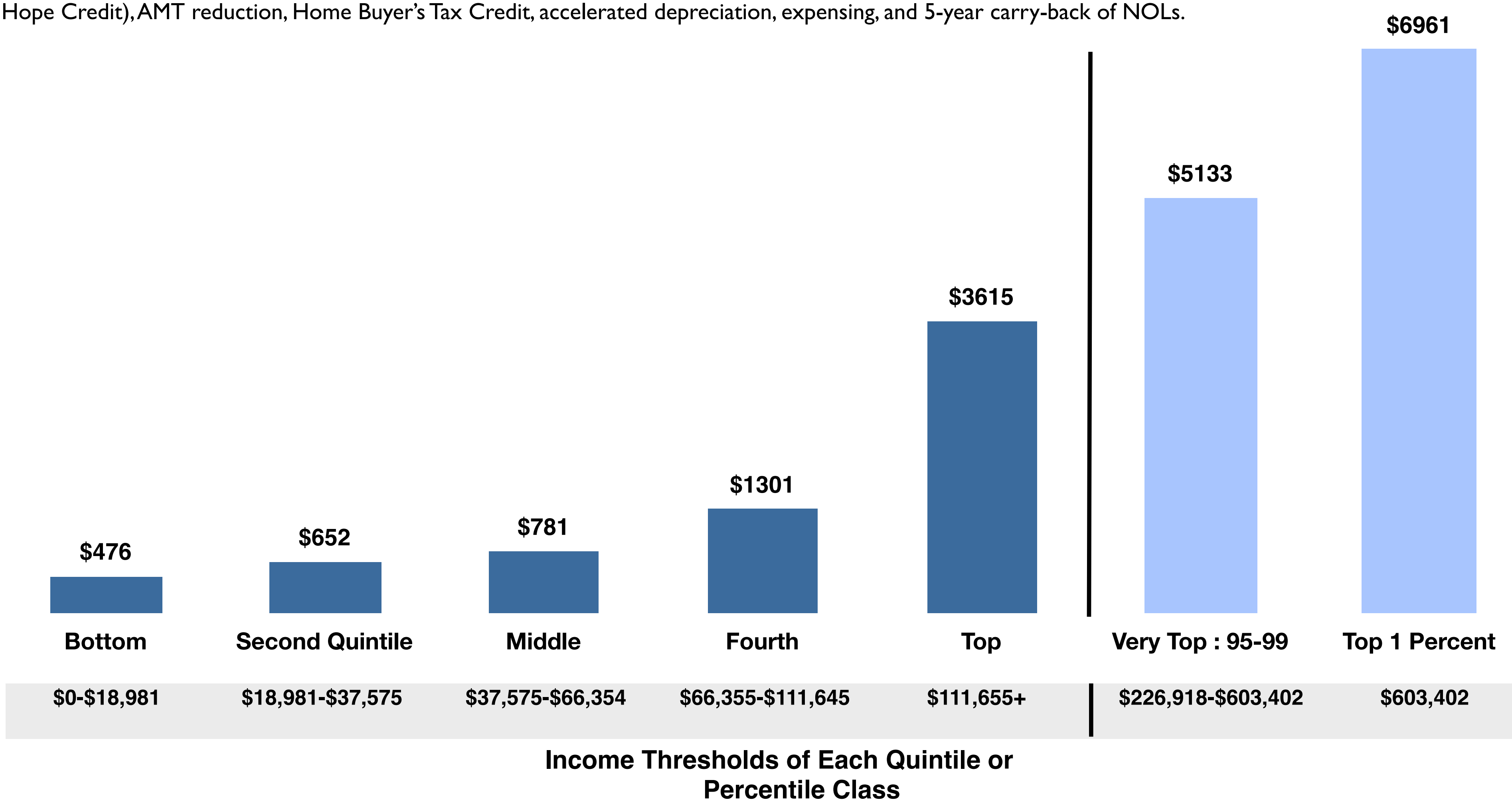
Source: Tax Policy Center, Tables T09-018 and T09-0063.

Provision	Current Law	Recovery Act	Cost and Comments
Education Tax Credit §1004; §25A	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.	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 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. Taxpayers with modified AGI above $90,000 ($180,000 for joint returns) are ineligible—phase out begins at $80,000 and $160,000. Up to 40 percent of credit is refundable. Treasury Department directed to study and report to Congress within one year on: 1) how to coordinate the credit with the Pell Grant program; and 2) feasibility of requiring students to perform community service as a condition of credit.	$13.9 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 support skills upgrading by low-wage workers.
Computers and Internet Access as a Higher Education Expense for Section 529 Accounts §1005; §529	Computer is considered an allowable higher education expense only when the college or university specifically requires it for attendance.	In 2009 and 2010, treats purchase of computer technology or equipment as well as internet access and related services as allowable higher education expenses.	$6 million
First-Time Home Buyer Credit §1006; §36	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. Taxpayers with modified AGI above $95,000 ($170,000 for joint filers) are ineligible—phase out begins at $75,000 ($150,000).	Extends tax credit to homes purchased before December 1, 2009, increases maximum credit to $8,000, and waives requirement to repay as long as home is not sold within first 36 months of purchase.	$6.638 billion.

Provision	Current Law	Recovery Act	Cost and Comments
Parity for Transportation Fringe Benefits §1151; §132	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.	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.	$192 million (all in FY2009-2011). Beyond exclusion, additional incentives and benefits should be provided for transit, van pooling, and bicycling.
Taxation of Unemployment Compensation §1007; §85	Unemployment benefits treated as earned income for federal income tax purposes.	First $2,400 of benefits received in 2009 excluded from gross income.	$4.74 billion (all in FY2009-2010). Recovery Act also provides $25 a month increase in unemployment benefits.
Tax Incentives to Buy New Cars and Trucks §1008; §164	No provision.	Provides a deduction for state and local sales taxes on the purchases of a new car, light truck, motorcycle, or motorhome (in tax year 2009 only). May not exceed portion of tax attributable to first $49,500 of purchase price. Taxpayers with AGI greater than $135,000 ($260,000 for joint filers are ineligible (phases begins at $10,000 below these thresholds).	$1.684 billion (all in FY2009-2011).

Average Tax Benefits by Income Quintile: Major Corporate and Income Tax Provisions

Overall effect of the Making Work Pay Credit, EITC expansion, CTC expansion, the American Opportunity Tax Credit (former Hope Credit), AMT reduction, Home Buyer's Tax Credit, accelerated depreciation, expensing, and 5-year carry-back of NOLs.



Source: Tax Policy Center, Table T-09-0110

Corporate Income Tax Provisions

Provision	Current Law	Recovery Act	Cost and Comments
Bonus Depreciation, Election to Accelerate AMT and Research Credits, and Enhanced Expensing §1201; §168 §1202; §179	Bonus Depreciation: 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. Research and Development Credit Option: Corporations otherwise eligible for additional first-year depreciation may elect to claim additional research or minimum tax credits in lieu of claiming depreciation. Enhanced Expensing: In lieu of depreciation, certain taxpayers may “expense” (deduct) costs. Limit is $250,000 in 2008 and $125,000 in 2009 and 2010.	1) Extends to capital expenditures incurred in 2009. 2) Extends through 2009. 3) Extends $250,000 limit to capital expenditures incurred in 2009.	1) $5.1 billion. 2) $805 million 3) $41 million 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 §1211; §172	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 losses, extends the maximum carry-back period to five years for business with gross income of $15 million or less.	$947 million
Modification of Work Opportunity Tax Credit §1221; §51	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 (limited to 2009 and 2010 hires): 1) veterans discharged within last five years who have received unemployment compensation within last year for at least 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.	$231 million. Research on current credit is limited, but suggests little or no impact on hiring. Funds arguably 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.

Provision	Current Law	Recovery Act	Cost and Comments
Deferral and Ratable Inclusion of Income Arising from Business Indebtedness Discharged by the Reacquisition of a Debt Instrument §1221; §108	Gross income for tax purposes generally includes income that is realized by a debtor from the discharge of debt in bankruptcy.	Certain business will be able to defer tax related to cancellation of debt for four to five years and then recognize ratably over the new five years. The provision applies to repurchases of debt made between December 31, 2008 and January 1, 2011.	$1.622 billion.
Reduction in S Corporation Built-in Gains Holding Period §1251; §1374	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")	For tax years 2009 and 2010, reduces the built-in gains holding period to seven years.	$415 million.
Exclusion of Gains from Sale of Stock Acquired at Original Issue §1241; §1202	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.	For stock sold after date of enactment and before January 1, 2011, exclusion is increased to 75%.	$829 million.
Deductibility of Losses Under Section 382(h) of Internal Revenue Code as Applied to Banks §1261	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 $6.977 billion over ten years.

Provision	Current Law	Recovery Act	Cost and Comments
Treatment of Certain Ownership Changes for NOL Carryovers and Certain Build-In Losses §1262; §382	Limits the extent to which a ‘‘loss corporation’’ (a corporation entitled to use an NOL carryover or having an NOL carryover for the taxable year in which the ownership change occurs) that experiences an ownership change may offset taxable income in any post-change taxable year by pre-change net operating losses, certain built-in losses, and deductions attributable to the pre-change period.	Limitation does not apply in the case of an ownership change that occurs pursuant to a restructuring plan of a taxpayer which is required under a loan agreement or commitment for a line of credit entered into with the Department of the Treasury under the Emergency Economic Stabilization Act of 2008 and is intended to result in a rationalization of the costs, capitalization, and capacity with respect to the manufacturing workforce of, and suppliers to, the taxpayer and its subsidiaries.	$3.163 billion

Renewable Energy

Provision	Current Law	Recovery Act	Cost and Comments
Production Tax Credit for Renewable Energy (Section 45) §1101; §45	Provides an income tax credit for the production of electricity from certain renewable energy resources, including wind, biomass, and geothermal. 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, hydropower, landfill gas, waste-to-energy, and marine renewable facilities, through 2013.	$13.143 billion.
Energy Credit (Section 48) §1102-04; §48 §1603	Provides a 30% tax credit to businesses for the cost of new equipment that: 1) uses *solar energy* to generate electricity, to heat or cool a structure, or to provide solar process heat, 2) is a qualified fuel cell power plant, or 3) is small wind energy property (credit limited to $4,000). Provides a 10% tax credit to businesses for the cost of equipment that: 1) is used to produce, distribute, or use energy generated from a *geothermal* deposit, 2) is qualified geothermal heat pump property; 3) qualified microturbine property, 4) is combined heat and power system property, If equipment is financed in part by subsidized energy financing or by tax-exempt private activity bonds, the basis on which the credit is calculated must be reduced by the amount of such financing received.	1) Removes the cap on the credit for small wind energy property. 2) Removes reduction in basis for property financed with private activity bonds or subsidized energy financing. 3) 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. 4) Taxpayers may receive a grant from Treasury in lieu of credit.	1-2) $604 million. 3) $285 million. 4) $5 million

Provision	Current Law	Recovery Act	Cost and Comments
Tax Credit for Non-Business Energy Property (Section 25C): Insulation, Windows, Doors, Roofs, Water Heaters, and Heating and Cooling §1121; §25C	Homeowners receive a non-refundable credit equal to the sum of: 1) 10% of the amount paid or incurred by the taxpayer for "qualified energy efficiency building envelope improvements", i.e., certain metal and asphalt roofing, exterior windows and doors, and insulation; and 2) the amount of "residential property expenditures" paid or incurred, i.e., specified energy-efficient heat pumps, water heaters, central air conditioners, and biomass stoves (up to $300), a qualified natural gas, propane, or oil furnace or hot water boiler (up to $150), or an advanced main air circulating fan (up to $50). Maximum per-dwelling credit for a taxpayer with respect to the same dwelling for all taxable years is $500 (no more than $200 may be for windows). Credit is limited to improvements to existing homes. Expenditures made with "subsidized energy financing" are not taken into account in calculating the credit. Credit available for property placed in service in 2009, but not property placed in service in 2008.	Extends credit through 2010. Increases it to 30% and replaces the individual specified credits with a 30% credit. Eliminates the $500 aggregate per-dwelling cap and replaces it with a $1,500 cap for property placed in service in 2009 and 2010 (with no separate lower cap on windows). Eliminates subsidized financing limitation.	$2.034 billion, all in FY2009-2011.
Tax Credit for Residential Energy-Efficient Property (Section 25D): Solar Water Hearing, Wind Energy, Geothermal §1122; §25D	Individuals are allowed a 30% tax credit for qualified solar water heating property (capped at $2,000), solar electric, qualified small wind energy property (capped at $500 per. 5 kW, up to $4,000), fuel cells (capped at $500 per .5 kW) and qualified geothermal heat pumps (capped at $2,000). Credit available for new and existing homes. Expenditures made with "subsidized energy financing" are not taken into account in calculating the credit. Authorized through tax year 2016.	Removes credit cap for wind, geothermal, and solar hot water. Eliminates subsidized financing limitation.	$268 million.

Provision	Current Law	Recovery Act	Cost and Comments
New Clean Renewable Energy Bonds §1111; §54C	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.
Qualified Energy Conservation Bonds §1112; §54D	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.

Provision	Current Law	Recovery Act	Cost and Comments
Tax Credits for Alternative Fuel Pumps §1123; §30C	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.
Tax Credits for Plug-In Electric Drive and Alternative Motor Vehicles §1141; §30D §1142; §30 §1143; §30B	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.	Creates 1) 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 $2,500 (available for vehicles sold prior to 2012); 2) a new 10% credit for the cost of converting any motor vehicle into a qualified plug-in electric drive vehicle with a minimum battery capacity of 4 kWh; credit capped at $4,000 (available for conversions made prior to 2012). For plug-in credit, replaces 250,000 vehicle limitation with a 200,000 per-manufacturer limitation.	$2 billion.
Advanced Energy Project Tax Credit §1302; §46	No provision.	Treasury Department may allocate up to $2.3 billion in new 30% tax credits for the manufacture of advanced energy property, including technology for the production of renewable energy, energy storage, energy conservation, efficient transmissions and distribution of electricity, and carbon capture and sequestration. Limited to projects certified by Treasury Department through a competitive bidding process.	$1.647 billion.

State and Local Government and Economic Development

Provision	Current Law	Recovery Act	Cost and Comments
Expansion of Industrial Revenue Bonds §1301; §144	Tax exempt bond financing limited to manufacturing facilities that produce "tangible personal property."	Industrial revenue bonds issued in 2009 and 2010 may include creation of intangible property, i.e., patents, copyrights, formulas, processes, designs, patterns, knowhow, formats, or other similar items.	$203 million.
Recovery Zone Bonds §1401; §46	No provision.	Authorizes $10 billion in recovery zone economic development bonds and $15 billion in recovery zone facility bonds. Allocated to states by a formula based on job losses; states then allocated to counties and large municipalities (more than 100,000 people) based on job losses. Bonds may be used for infrastructure, job training, education, and economic development in areas within the boundaries of the State, city or county (as the case may be) that has significant poverty, unemployment or home foreclosures.	$5.371 billion.
Tribal Economic Development Bonds §1402; §7871f (new)	Tribal governments may issue tax-exempt bonds, but only if substantially all of the proceeds are used for essential government functions; they generally may not issue tax-exempt private-activity bonds.	Allows tribes to issue up to $2 billion in Tribal Economic Development bonds, including tax-exempt private-activity bonds not subject to these restrictions.	$315 million
New Markets Tax Credit §1403; §45	Tax credit for qualified equity investments in designated Community Development Entities (CDEs)—Treasury certified entities with a mission of providing investment capital to low-income communities—that are used to invest in low-income communities. In 2008 and 2009, credits are limited to $3.5 billion each year.	Increases credits to $5 billion in both 2008 and 2009.	$815 million
Modification of High-Speed Rail Bonds §1504; §142(i)	Exempt facility bonds (a type of tax-exempt private-activity bond) may be issued for high-speed intercity rail facilities using vehicles expected to travel at more than 150 miles per hour.	Must use vehicles *capable of attaining* (but not necessarily traveling at) more than 150 miles per hour.	$288 million

Provision	Current Law	Recovery Act	Cost and Comments
Qualified School Construction and Qualified Zone Academy Bonds §1521; §53F §1522; §54E	Interest on state and local government bonds is generally excluded form gross income for federal tax purposes if the bonds are used to finance direct government activities, including financing of public schools. State and local governments also have the authority to issue "qualified zone academy" bonds. The interest on such bonds is not tax exempt, but holders are entitled to a credit that is includible in gross income as if it were a taxable interest payment, and may be claimed against tax liability. Qualified zone academies are public schools located in empowerment zones or enterprise communities that cooperate with business to enhance curriculum and increase graduation rates. Up to $400 million in QZA bonds may be allocated to states in 2009.	Authorizes up to: 1) $22.4 billion in new qualified school construction bonds for the construction, rehabilitation, and repair of public schools and the acquisition of land on which a school will be built; 2) $1.4 billion in qualified zone academy bonds in 2009 and 2010;	1) $9.877 billion 2) $1.045 billion
Build America Bonds: Tax Credit Bond Option for State and Local Governments §1531; §54AA	Interest on municipal bonds is exempt from federal income tax.	For 2009 and 2010, provides state option to issue a tax credit bond instead of a tax-exempt bond. Credit is 35% of amount of interest payable. State or local governments can elect to receive a direct payment from the federal government equal to the subsidy that would have otherwise been delivered through the tax credit.	$4.348 billion
Taxation of Interest on Municipal Bonds Held by Financial Institutions §1502; §265	Financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. Bonds issued by "qualified small issuers" are not taken into account as investments in tax-exempt municipal bonds. A "qualified small issuer" is defined as any issuer that reasonably anticipates that the amount of its tax-exempt obligations will not exceed $10 million.	Exclude investments in tax-exempt municipal bonds issued during 2009 and 2010 to the extent that these investments constitute less than 2% of the average adjusted bases of all the assets of the financial institution. Increases threshold to $30 million.	$3.234 billion

Provision	Current Law	Recovery Act	Cost and Comments
Delay in Implementation of Withholding Tax on Government Contractors §1511; §3402(t)	Imposes a 3% withholding requirement on certain government payments made after December 31, 2010 to persons providing property or services.	Delays implementation by one year to apply to payments made after December 31, 2011.	$291 million
Exclude Interest on Private-Activity Bonds from AMT §1503; §57	Interest on tax-exempt private activity bonds, other than tax-exempt housing bonds, is generally subject to the AMT.	Excludes the remaining categories of private-activity bonds from the AMT for bonds issued in 2009 or 2010.	$555 million.

About the Author

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Additional Information

For more detailed cost estimates, see: Joint Committee on Taxation, Estimated Budget Effects of the Revenue Provisions Contained in the Conference Agreement for H.R. 1 (JCX-19-09; February 12, 2009).

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