

S 1637

Jumpstart Our Business Strength (JOBS) Act

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Sponsor

Name: Sen. Grassley, Chuck [R-IA]

Party: Republican • State: IA • Chamber: Senate

Cosponsors (9 total)

| Cosponsor | Party / State | Role | Date Joined |
|--------------------------------|---------------|------|--------------|
| Sen. Baucus, Max [D-MT] | D · MT | | Sep 18, 2003 |
| Sen. Hatch, Orrin G. [R-UT] | R · UT | | Sep 18, 2003 |
| Sen. Graham, Bob [D-FL] | D · FL | | Sep 22, 2003 |
| Sen. Smith, Gordon H. [R-OR] | R · OR | | Sep 24, 2003 |
| Sen. Daschle, Thomas A. [D-SD] | D · SD | | Sep 29, 2003 |
| Sen. Murray, Patty [D-WA] | D · WA | | Sep 29, 2003 |
| Sen. Kerry, John F. [D-MA] | D · MA | | Sep 30, 2003 |
| Sen. Cantwell, Maria [D-WA] | D · WA | | Oct 21, 2003 |
| Sen. Chafee, Lincoln [R-RI] | R · RI | | Oct 22, 2003 |

Committee Activity

| Committee | Chamber | Activity | Date |
|-------------------|---------|-------------|-------------|
| Finance Committee | Senate | Reported By | Apr 8, 2004 |

Subjects & Policy Tags

Policy Area:

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Related Bills

| Bill | Relationship | Last Action |
|-------------|------------------|--|
| 108 HR 4520 | Related document | Oct 22, 2004: Became Public Law No: 108-357. |

Jumpstart Our Business Strength (JOBS) Act - **Title I: Provisions Relating to Repeal of Exclusion for Extraterritorial Income** - (Sec. 101) Amends the Internal Revenue Code (Code) to repeal the tax exclusion for extraterritorial income. Exempts from the repeal transactions in the ordinary course of a trade or business pursuant to certain preexisting binding contracts.

Permits foreign corporations to revoke elections to be treated as U.S. corporations for purposes of the extraterritorial income tax exclusion. Sets forth rules for the treatment of gain or loss resulting from the revocation of an election.

Provides for a three-year period of transitional relief for taxpayers who were eligible for the exclusion for extraterritorial income by allowing a tax deduction based upon such taxpayers' average benefit amount between 2000 and 2002. Phases out such transitional relief in 2005 and 2006.

(Sec. 102) Phases in, between 2004 and 2009, a tax deduction for qualified domestic production activities income. Provides that the percentage amount of the deduction shall be nine percent of domestic production activities income for taxable years beginning in 2009. Limits the amount of the deduction to 50 percent of the W-2 wages of an employer for a taxable year. Allows the deduction for purposes of computing alternative minimum tax liability.

Provides special rules for the calculation of the deduction for agricultural and horticultural cooperatives, affiliated groups, and gross receipts derived from the use of films and videotapes.

(Sec. 103) Treats income from certain architectural and engineering services as qualified domestic production activity income for purposes of the tax deduction.

Limits the tax deduction allowed employers for the entertainment expenses of certain covered employees (i.e. corporate Chief Executive Officers (CEO's)).

Title II: International Tax Provisions - Subtitle A: International Tax Reform - (Sec. 201) Extends the excess foreign tax credit carry forward period to 20 years and limits the carry back period to one year.

(Sec. 202) Revises rules for the tax treatment of dividends paid by a section 902 corporation (a foreign corporation in which the taxpayer owns at least 10 percent of the stock by vote and which is not a controlled foreign corporation).

(Sec. 203) Repeals the 90-percent limitation on the utilization of the alternative minimum tax foreign tax credit.

(Sec. 204) Treats as income from sources without the United States, in the case of any taxpayer who sustains an overall domestic loss for any taxable year beginning after December 31, 2006, that portion of the taxpayer's taxable income from sources within the United States for each succeeding taxable year which is equal to the lesser of: (1) the amount of such loss (to the extent not used in prior taxable years); or (2) 50 percent of the taxpayer's taxable income from sources within the United States for such succeeding taxable year.

(Sec. 205) Permits, in general, a worldwide affiliated group to have the taxable income of each domestic corporation which is a member of such group determined by allocating and apportioning interest expense of each member as if all members of such group were a single corporation. Provides that if a group makes this election, the taxable income of the domestic members of a worldwide affiliated group from sources outside the United States will be determined by allocating and apportioning the interest expense of domestic members to foreign-source income in accordance with a specified formula. Provides that non-interest expenses which are not directly allocable or apportioned to any specific income

producing activity shall be allocated and apportioned as if all members of the affiliated group were a single corporation.

(Sec. 206) Modifies the definition of subpart F (Controlled Foreign Corporations) foreign personal holding company income with respect to gains or losses from a commodities hedging transaction.

Subtitle B: International Tax Simplification - (Sec. 211) Repeals the following provisions of the Code: (1) Part III (Foreign Personal Holding Companies) of Subchapter G (Corporations Used to Avoid Income Tax on Shareholders) of Chapter 1 (Normal Taxes and Surtaxes); (2) Section 1246 (Gain on Foreign Investment Company Stock); and (3) Section 1247 (Election by Foreign Investment Companies to Distribute Income Currently).

(Sec. 212) Revises the subpart F de minimis rule to provide that, if the gross amount of a controlled foreign corporation's foreign base company income and insurance income for a taxable year is less than the lesser of five percent of the controlled foreign corporation's gross income or \$5 million (currently, \$1 million), then no part of the controlled foreign corporation's gross income is treated as foreign base company income or insurance income.

(Sec. 213) Modifies attribution rules for stock ownership through partnerships to provide that stock owned, directly or indirectly, by or for a partnership shall be considered as being owned proportionately by its partners, for purposes of determining deemed-paid foreign tax credits of domestic corporations that own ten percent or more of the voting stock of a foreign corporation.

(Sec. 214) Provides that, subject to stated exceptions, rules concerning capitalization and inclusion in inventory costs of certain expenses shall not apply to any non-U.S. taxpayer if such taxpayer capitalizes costs of produced property or property acquired for resale by applying the method used to ascertain the income, profit, or loss for purposes of reports or statements to shareholders, partners, other proprietors, or beneficiaries, or for credit purposes.

(Sec. 215) . Exempts from the 30 percent tax on U.S. source income of nonresident aliens, dividends paid by certain foreign corporations.

(Sec. 216) Repeals the 30 percent special tax on the capital gains of aliens present in the United States 183 days or more.

Subtitle C: Additional International Tax Provisions - (Sec. 221) Excludes "qualified leasing income" derived from or in connection with the leasing or rental of any aircraft or vessel from treatment as foreign personal holding company income or foreign base company shipping income of a controlled foreign corporation.

(Sec. 222) Excludes dividends, interest, rents, and royalties received or accrued from a controlled foreign corporation which is a related person from treatment as foreign personal holding company income to the extent attributable or properly allocable to income of the related person which is not subpart F income.

(Sec. 223) Treats the sale by a controlled foreign corporation of a partnership interest as a sale of the proportionate share of partnership assets attributable to such interest for purposes of determining subpart F foreign personal holding company income, but only with respect to partners with at least a 25 percent interest in the partnership.

(Sec. 224) Permits taxpayers required to translate foreign income tax payments at the average exchange rate to elect to translate such taxes into U.S.-dollar amounts using the exchange rates as of the time such taxes are paid, provided the foreign income taxes are denominated in a currency other than the taxpayer's functional currency.

(Sec. 225) Permits a taxpayer to elect to treat a tax imposed under the law of a foreign country or a U.S. possession on

an amount which does not constitute income under U.S. tax principles as a tax imposed on general limitation income or on financial services income.

(Sec. 226) Modifies exceptions from subpart F foreign personal holding company income and foreign base company services income for income derived in the active conduct of a banking, financing, or similar business.

(Sec. 227) Adds exceptions from the definition of U.S. property for determining current income inclusion by a U.S. ten-percent shareholder with respect to certain investments in U.S. property by a controlled foreign corporation.

(Sec. 228) Treats interest paid by foreign partnerships in a manner similar to the treatment of interest paid by foreign corporations, but only with respect to foreign partnerships that are principally owned by foreign persons (a partnership in which U.S. citizens and residents do not own, directly or indirectly, 20 percent or more of the capital or profits interests in the partnership).

(Sec. 229) Specifies that deemed payments, under provisions concerning the transfer of intangibles being treated as transferred pursuant to the sale of contingent payments, are treated as royalties for purposes of applying the separate limitation categories of the foreign tax credit.

(Sec. 230) Removes from treatment as effectively connected income for a foreign investor a capital gain distribution from a real estate investment trust (REIT), if: (1) the distribution is received with respect to a class of stock that is regularly traded on an established securities market located in the United States; and (2) the foreign investor does not own more than five percent of the class of stock at any time during the taxable year within which the distribution is received.

(Sec. 231) Permits certain dividends received by a U.S. corporation from a controlled foreign corporation to be taxed at 5.25 percent.

(Sec. 232) Excludes from gross income winnings paid to a nonresident alien resulting from a legal wager initiated outside the United States in a pari-mutuel pool on a live horse or dog race in the United States.

(Sec. 233) Lowers the withholding income tax rate on U.S. source dividends paid to a corporation created or organized in Puerto Rico from 30 percent to 10 percent.

(Sec. 234) Directs the Secretary of Commerce to transmit a report to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives, regarding whether dispute settlement panels and the Appellate Body of the World Trade Organization have: (1) added to or diminished the rights of the United States by imposing obligations and restrictions on the use of antidumping, countervailing, or safeguard measures not agreed to under the World Trade Organization Antidumping Agreement, the Agreement on Subsidies and Countervailing Measures, or the Agreement on Safeguards; (2) appropriately applied the standard of review contained in Article 17.6 of the Antidumping Agreement; or (3) exceeded its authority or terms of reference.

(Sec. 235) Directs the Secretary of the Treasury to conduct a study of the impact of Federal international tax rules on taxpayers other than large corporations, including the burdens placed on such taxpayers in complying with such rules.

(Sec. 236) Postpones the effective date of final regulations issued by the Secretary of the Treasury relating to income derived by foreign corporations from the international operation of ships or aircraft (Treasury Regulations 1.883-1 through 1.883-5).

(Sec. 237) Allows a tax deduction for interest on a loan guaranteed by a foreign entity that is deemed a "disqualified

guarantee" if the taxpayer can establish that a loan was available from an unrelated person without the guarantee.

Title III: Domestic Manufacturing and Business Provisions - Subtitle A: General Provisions - (Sec. 301) Increases the maximum allowable amount of total capital expenditures for tax-exempt qualified State and local government small-issue bonds.

(Sec. 302) Permits a taxpayer to expense (deduct in a current taxable year), rather than capitalize, certain broadband expenditures. Allows a tax-exempt mutual or cooperative telephone company to deduct its broadband expenditures against unrelated business taxable income.

(Sec. 303) Excludes from the determination of the production period for distilled spirits any period allocated to the natural aging process for purposes of determining whether a taxpayer can expense, rather than capitalize, interest costs paid or incurred during the production period.

(Sec. 304) Modifies the active business test used to determine nonrecognition of gain from corporate distributions to an affiliated group.

(Sec. 305) Modifies excise tax provisions for the importation of archery products (including, increasing draw weight from 10 or more to 30 or more pounds).

(Sec. 306) Revises the rule for marketing activities by tax-exempt farmer cooperatives to provide that the marketing of products of cooperative members and other producers shall include the feeding of such products to cattle, hogs, fish, chickens, or other animals and selling the resulting animals or animal product.

(Sec. 307) Permits farmers' cooperative organizations to seek declaratory judgments with respect to their initial or continuing qualification as tax-exempt organizations.

(Sec. 308) Suspends until 2009 the tax on personal holding company income.

(Sec. 309) Increases the amount of depreciable business assets that may be expensed by decreasing (by 50 percent) the reduction in the limitation on the deduction for such assets.

(Sec. 310) Provides for a five-year carry back of net operating losses that occurred between 2001 and 2003.

(Sec. 311) Extends the tax credit for increasing research activities through December 31, 2005. Increases the rates of the alternative incremental research credit. Allows certain taxpayers to elect an alternative credit for research expenses in lieu of the credit for increasing research expenses.

(Sec. 312) Allows a tax credit for 20 percent of amounts paid to a tax-exempt research consortium organized and operated to conduct research in the public interest. Allows a tax credit for the full amount paid to certain small businesses, universities, and Federal laboratories for contract research.

(Sec. 313) Establishes as a general business tax credit a manufacturer's jobs credit equal to a certain percentage of wages paid to the employees (including employees eligible for a trade readjustment allowance) of a taxpayer that has a certain level of domestic production gross receipts in the current and preceding taxable year and is not disqualified as an inverted domestic corporation (a foreign corporation that manipulates its structure to evade U.S. taxes). Terminates the credit after 2005.

(Sec. 314) Authorizes the issuance of tax-exempt facility bonds for certain green building and sustainable design projects

(projects) designated by the Secretary. Limits the amount of bonds that may be issued to \$2 billion. Requires designated projects to: (1) register at least 75 percent of the square footage of the structures included in a project for certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design; (2) include a brownfield site; (3) identify other State or local financial contributions that will be provided to support a project; (4) include at least one million square feet of building or 20 acres of land; and (5) provide at least 1,500 full time jobs (150 jobs in rural States) when completed and at least 1,000 full time jobs (100 jobs in rural States) during construction. Prohibits more than one project in a single State and requires at least one project in an empowerment zone and one project in a rural State. Terminates the authority for issuing bonds after September 30, 2009.

Subtitle B: Manufacturing Relating to Films - (Sec. 321) Allows: (1) a tax deduction in the current taxable year for the entire cost of certain film and television production costs, up to \$15 million (\$20 million for costs incurred in a low-income community or a distressed county); and (2) the amortization of remaining costs over a three-year period.

(Sec. 322) Allows the inclusion of participations and residuals in the adjusted basis of property for the taxable year in which the property is placed in service for the purposes of computing the allowable deduction for property under the income forecast method of depreciation, but only if such participations and residuals relate to income estimated to be earned in connection with the property before the close of the tenth taxable year following the year the property is placed in service.

Subtitle C: Manufacturing Relating to Timber - (Sec. 331) Allows a tax deduction in the current taxable year for the entire cost of certain reforestation expenditures, up to \$10,000. Repeals the investment tax credit for reforestation expenditures.

(Sec. 332) Permits a taxpayer to revoke a prior election to treat the cutting of timber as a sale or exchange.

(Sec. 333) Qualifies the outright sale of timber for capital gains tax treatment.

(Sec. 334) Modifies safe harbor rules for timber REITs to provide that the sale of a real estate asset will not be a prohibited transaction if specified requirements are met.

Title IV: Additional Provisions - Subtitle A: Provisions Designed to Curtail Tax Shelters - (Sec. 401) Sets forth general rules for the application of the economic substance doctrine, including special rules for transactions with tax-indifferent parties.

(Sec. 402) Imposes a new penalty for failure to report a transaction that has a potential for tax avoidance or evasion (reportable transaction) or has been specifically identified as a tax avoidance transaction (listed transaction). Doubles the penalty for noncompliance by a large entity (gross receipts in excess of \$10 million) or a high net worth individual. Grants the Commissioner of Internal Revenue discretion to rescind all or a portion of the penalty under certain conditions.

(Sec. 403) Imposes a 20 percent penalty for understatements of tax resulting from certain tax shelter transactions and an increased penalty (30 percent) for failure to adequately disclose such transactions.

(Sec. 404) Imposes a penalty of 40 percent (20 percent, if there has been adequate disclosure) of the understatement of tax attributable to transactions lacking economic substance.

(Sec. 405) Modifies the definition of substantial understatement of tax for corporations other than S corporations or personal holding companies to mean the lesser of ten percent of the tax required to be shown or \$10 million.

(Sec. 406) Expands the denial of privilege for communications between a tax practitioner and a corporate client to include any individual involved in tax shelter activity.

(Sec. 407) Revises the requirements for registration of tax shelters to require material advisors of tax shelter activities to disclose information identifying and describing the tax shelter transaction and the potential tax benefits from such transaction. Requires material advisors to keep lists of taxpayers to whom they have provided tax shelter advice. Denies a claim of privilege as to the identity of any person on such lists.

(Sec. 408) Revises provisions for registration of tax shelters to impose a penalty for failure to file an informational return or for filing false or incomplete information with respect to tax shelter activities.

(Sec. 409) Imposes a daily penalty of \$10,000 on material advisors who fail to disclose lists of tax shelter investors. Allows an exemption from such penalty for reasonable cause.

(Sec. 410) Expands the authority of the Secretary to seek an injunction against material advisors who fail to comply with requirements for the registration of tax shelters and the maintenance of lists of tax shelter investors.

(Sec. 411) Revises the standards for determining the liability of a taxpayer for an understatement of tax by an income tax return preparer. Increases the penalties for such understatements.

(Sec. 412) Increases the penalty for failure to report interests in foreign financial accounts. Allows an exemption from the penalty if the violation was due to reasonable cause and was not willful.

(Sec. 413) Increases the penalty for frivolous tax returns and makes the penalty applicable to certain frivolous submissions to the IRS (e.g., requests for hearings, installment agreements, or offers in compromise). Allows a taxpayer to withdraw a frivolous submission within 30 days without penalty.

(Sec. 414) Authorizes the Secretary to censure and fine an incompetent or disreputable tax advisor who practices before the Department of the Treasury.

(Sec. 415) Increases the penalty for promoting abusive tax shelters to not to exceed 100 percent of the gross income derived from the tax shelter activity. Denies a tax deduction for such penalty.

(Sec. 416) Extends the limitation on the period for assessment of tax in cases where a taxpayer fails to disclose required information about a tax shelter transaction to one year after required disclosures are made.

(Sec. 417) Prohibits a tax deduction for interest paid on any underpayment of tax attributable to nondisclosed reportable transactions and noneconomic substance transactions.

(Sec. 418) Authorizes appropriations for the purpose of carrying out tax law enforcement to combat tax avoidance transactions and other tax shelters, including the use of offshore financial accounts to conceal taxable income.

(Sec. 419) Increases the penalty for aiding and abetting the understatement of tax liability.

(Sec. 420) Directs the Secretary, jointly with the Attorney General and other Federal agencies, to study the effectiveness of, and ways to improve, the sharing of information related to the promotion of prohibited tax shelters or tax avoidance schemes and other potential violations of Federal law and to report the findings to Congress.

Subtitle B: Other Corporate Governance Provisions - (Sec. 421) Authorizes the Secretary to issue regulations that

treat corporations filing consolidated returns differently than corporations filing separate returns.

(Sec. 422) Requires corporate tax returns to include a declaration by the chief executive officer (CEO), under penalty of perjury, that the return complies with the Internal Revenue Code and that the CEO was provided reasonable assurance of the accuracy of all material aspects of the return.

(Sec. 423) Confirms the nondeductibility of fines for violations of law or costs incurred in an investigation of a potential violation of law. Allows a tax deduction for restitution payments, for court-ordered payments to certain nongovernmental regulatory agencies, and for amounts paid or incurred as taxes due.

(Sec. 424) Prohibits a deduction for amounts paid as punitive damages, with exceptions for a wrongful death action and certain other cases. Includes in gross income amounts paid by insurance as punitive damages.

(Sec. 425) Increases the criminal penalties for attempts to evade or defeat tax, for willful failure to file tax returns or pay tax, and for fraud and making false statements on tax returns.

Subtitle B: Enron-Related Tax Shelter Provisions - (Sec. 431) Limits the basis of certain corporate property acquired by the issuance of stock or as paid-in surplus and for which there is the importation of net built-in loss to the property's fair market value immediately after the transfer of such property.

(Sec. 432) Prohibits an allocation of any decrease in the adjusted basis of partnership property to stock in a corporation which is a partner in the partnership.

(Sec. 433) Repeals part V (Financial Asset Securitization Investment Trusts - FASITS) of subchapter M (Regulated Investment Companies and Real Estate Investment Trusts).

(Sec. 434) Expands the disallowance of tax deductions for interest paid on disqualified debt instruments of corporations to provide that if such instruments are payable in equity held by the issuer (or any related party) in any other person (other than a related party), the basis of such equity shall be increased by the amount disallowed as a deduction to include interest paid on corporate debt that is payable in, or by reference to, the value of any equity held by the issuer of the debt instrument or any related party.

(Sec. 435) Expands the authority of the Secretary to disallow tax benefits obtained through certain acquisitions of corporate assets made for the principal purpose of evading or avoiding Federal income tax.

(Sec. 436) Amends provisions affecting passive foreign investment companies to state that the term "qualified portion" (of a shareholder's holding period) does not include any period if the earning of subpart F (Controlled Foreign Income) income by such corporation during such period would only result in a remote likelihood of an inclusion in gross income.

Subtitle D: Provisions to Discourage Expatriation - (Sec. 441) Sets forth rules for the tax treatment of foreign corporations that acquire substantially all of the stock or assets of a domestic corporation or partnership (inverted domestic corporation) for the purpose avoiding U.S. taxation. Treats a foreign corporation deemed to be an inverted corporation as a domestic corporation for U.S. tax purposes.

Requires U.S. corporations to disclose to shareholders five days prior to a shareholder vote relating to a corporate inversion: (1) the number of employees to be relocated due to the inversion transaction; (2) how the rights of shareholders would be impacted by the inversion; and (3) any tax consequences resulting from the inversion.

(Sec. 442) Sets forth tax rules for U.S. citizens and permanent resident aliens (expatriates) who terminate their citizenship or residency for the purpose of avoiding U.S. taxation. Subjects expatriates to a tax on the net unrealized gain of property sold or transferred based upon the fair market value of such property as of the day before expatriation. Exempts from this tax the first \$600,000 of the value of such property (\$1.2 million for joint returns). Provides for an inflation adjustment of the exemption amount.

Permits expatriates to elect to continue to be taxed as a U.S. citizen. Allows deferral of tax owed, but requires the posting of adequate security for payment of any tax deferred. Sets forth rules for determining the date a U.S. citizen terminated citizenship.

Sets forth rules for the tax treatment of retirement plans, interests in trusts, gifts, and inheritances of expatriates.

Amends the Immigration and Nationality Act to deny expatriates who fail to comply with tax obligations reentry into the United States. (Current law denies reentry of U.S. citizens who terminate citizenship to avoid U.S. taxation.)

(Sec. 443) Imposes on an individual who is a disqualified individual with respect to any inverted corporation a tax equal to 20 percent of the value of the specified stock compensation held (directly or indirectly) by or for the benefit of such individual or a member of such individual's family at any time during the 12-month period beginning on the date which is 6 months before the inversion date.

(Sec. 444) Revises provisions relating to the authority of the Secretary to allocate tax incidents between the parties to a reinsurance agreement involving tax avoidance or evasion.

(Sec. 445) Imposes certain reporting requirements upon the acquiring corporation in a taxable acquisition of another corporation. Provides for a penalty for failure to report required information.

Subtitle E: International Tax - (Sec. 451) Expands the definition of "banking business" for purposes of the exemption of investment of earnings in U.S. property to include financial services providers.

(Sec. 452) Provides for treatment as a dividend any distribution by a U.S. holding company to a foreign corporation of earnings in a complete liquidation, if the U.S. holding company was in existence for less than five years.

(Sec. 453) Provides that in the case of any: (1) debt instrument having original issue discount which is held by a related foreign person which is a foreign personal holding company, a controlled foreign corporation, or a passive foreign investment company, a deduction shall be allowable to the issuer with respect to such original issue discount for any taxable year only to the extent such original issue discount is included during such taxable year in the gross income of a U.S. person who owns stock in such corporation; and (2) amount payable to a foreign personal holding company, a controlled foreign corporation, or a passive foreign investment company, a deduction shall be allowable to the payer with respect to such amount for any taxable year only to the extent such amount is included during such taxable year in the gross income of a U.S. person who owns stock in such corporation.

(Sec. 454) Includes certain economic equivalents of foreign source income as income effectively connected with a U.S. trade or business.

(Sec. 455) Sets forth a rule concerning the recapture of overall foreign losses on the sale of controlled foreign corporation stock.

(Sec. 456) Establishes a minimum holding period for withholding taxes on gain and income other than dividends in order

to claim the foreign tax credit.

Subtitle F: Other Revenue Provisions - Part I: Financial Instruments - (Sec. 461) Permits the application of stripped preferred stock rules and stripped bond rules in the case of an account or entity substantially all of the assets of which consist of bonds, preferred stock, or combination thereof.

(Sec. 462) Subjects to disallowance under the earnings stripping rules the deduction for interest paid or accrued by partnerships if the partnership meets certain tests that would apply to a C corporation.

(Sec. 463) Provides that: (1) for purposes of determining income of a debtor from discharge of indebtedness, if a debtor corporation transfers stock, or a debtor partnership transfers a capital or profits interest in such partnership, to a creditor in satisfaction of its recourse or nonrecourse indebtedness, such corporation or partnership shall be treated as having satisfied the indebtedness with an amount of money equal to the fair market value of the stock or interest; and (2) in the case of any partnership, any discharge of indebtedness income so recognized shall be included in the distributive shares of taxpayers who were the partners in the partnership immediately before such discharge.

(Sec. 464) Modifies straddle rules to: (1) permit taxpayers to identify offsetting positions of a straddle; (2) revise the tax treatment of certain physically settled positions of a straddle; and (3) repeal the stock and qualified covered call exceptions from the straddle rules.

(Sec. 465) Denies installment sales treatment with respect to all debt instruments that are readily tradeable.

Part II: Corporations and Partnerships - (Sec. 466) Limits the amount of assets that a distributing corporation can distribute to its creditors without recognition of gain to the amount of the basis of the assets contributed to a controlled corporation in a divisive reorganization.

(Sec. 467) Modifies the definition of nonqualified preferred stock to add provisions stating that stock shall not be treated as participating in corporate growth to any significant extent unless there is a real and meaningful likelihood of the shareholder actually participating in the earnings and growth of the corporation.

(Sec. 468) Modifies the definition of a brother-sister controlled group of corporations.

(Sec. 469) Repeals section 754 of the Code (Manner of Electing Optional Adjustment to Basis of Partnership Property) and requires basis adjustments in connection with partnership distributions and transfers of partnership interests, but permits elective basis adjustments where there is a transfer of partnership interest upon a partner's death.

Part III: Depreciation and Amortization - (Sec. 471) Permits (currently, prohibits) the amortization of intangibles by sports franchises.

(Sec. 472) Classifies as 15-year property, for purposes of the tax deduction for depreciation, the initial clearing and grading land improvements with respect to gas utility property. Classifies as 20-year property the initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant.

(Sec. 473) Limits to \$25,000 the cost of a sport utility vehicle of 14,000 pounds or less that is not subject to the limitation on depreciation for luxury automobiles that may be expensed.

(Sec. 474) Revises rules for the first year deduction and amortization of startup and organizational expenditures.

(Sec. 475) Establishes a depreciation recovery period for tax-exempt use property subject to a lease of 125 percent of

the lease term.

(Sec. 476) Disallows losses from the leasing of property to tax-exempt organizations (tax-exempt use losses). Allows a carryover of a disallowed loss to the next taxable year.

Allows tax-exempt use losses with respect to property: (1) that is not financed with tax-exempt bonds or Federal funds; (2) in which the lessor makes an equity investment of at least 20 percent of the lessor's adjusted basis; (3) in which the lessee does not bear more than a minimal risk of loss; and (4) that grants the lessee a fair market purchase option (applies only to property with more than a seven-year class life).

Applies the changes made by this section to leases entered into after November 18, 2003. Establishes a separate effective date for leases to foreign entities (taxable years beginning after January 31, 2004, for leases entered into on or before November 18, 2003).

Part IV: Administrative Provisions - (Sec. 481) Requires payment of estimated tax on elective recognition of gain or loss from stock sales between target corporations and a consolidated group.

(Sec. 482) Extends, until September 30, 2013, the authority of the IRS to charge certain user fees.

(Sec. 483) Doubles civil penalties and interest for taxpayers who were eligible for either the Department of the Treasury Offshore Voluntary Compliance Initiative or the voluntary disclosure program for reporting underpayment of tax from certain offshore financial arrangements, but who did not participate in either program.

(Sec. 484) Authorizes the IRS to enter into partial payment installment agreements with taxpayers. Requires review of such agreements at least every two years.

(Sec. 485) Extends the authority for customs user fees through September 30, 2013.

(Sec. 486) Permits taxpayers to make a cash deposit to suspend the running of interest on potential underpayments of tax.

(Sec. 487) Authorizes the Secretary to enter into qualified tax collection contracts with private collection agencies to perform certain services related to the collection of unpaid tax. Provides that the United States shall not be liable for any act or omission of any such collection agency. Permits a civil action against a collection agency, but not against the United States, for unauthorized collection actions.

Limits the term of any qualified tax collection contract to five years from the date of enactment of this Act. Requires the Secretary to submit a report to Congress biennially on qualified tax collection contracts, including a complete cost benefit analysis, the amounts collected, and the collection costs incurred (directly and indirectly).

(Sec. 488) Authorizes awards to individuals who provide information to the Secretary that results in administrative or judicial actions against taxpayers whose gross income exceeds \$200,000 or whose tax exceeds \$20,000 for the payment of tax in dispute. Provides for awards of ten to 30 percent depending upon the value of the information provided.

Establishes a Whistleblower Office in the IRS to process information received from whistleblowers and to determine appropriate awards.

(Sec. 489) Prohibits the Secretary of Labor from promulgating any rule under the Fair Labor Standards Act that: (1) exempts from the overtime pay provisions of that Act any employee who earns less than \$23,660 per year; and (2) is not

at least as protective of overtime pay rights of employees in certain specified occupations as regulations in effect on March 31, 2003.

(Sec. 490) Invalidates final regulations promulgated under the Fair Labor Standards Act on April 23, 2004 that exempt certain employees from overtime pay protections.

Part V: Miscellaneous Provisions - (Sec. 491) Includes any vaccine against hepatitis A under the 75-cents-per-dose manufacturer's excise tax.

(Sec. 492) Makes the exclusion for gain on the sale of a principal residence inapplicable if the principal residence was acquired in a like-kind exchange in which the gain was not recognized within the required five year period.

(Sec. 493) Increases: (1) from an amount equal to 50 to 60 percent of gross receipts the amount of premiums a tax-exempt small property and casualty insurance company may receive ; and (2) from \$1.2 million to \$1.89 million (adjusted for inflation after 2005) the amount of premiums such an insurance company may receive without forfeiting its election to be taxed only on investment income.

(Sec. 494) Sets forth rules for the tax deduction for charitable contributions of patents and similar intellectual properties. Revises requirements for informational returns relating to certain donated property to include rules for the contribution of patents and similar intellectual property. Authorizes the Secretary to prescribe regulations to prevent abuse of the tax deduction.

(Sec. 495) Increases from under 14 to under 18 the age of minor children whose unearned income is taxed at the parent's tax rate.

(Sec. 496) Revises the holding periods for determining the deductibility of certain preferred stock dividends.

(Sec. 497) Adopts a substantial presence test for purposes of determining bona fide residence in U.S. possessions for tax purposes. Requires Virgin Island residents to file an income tax return with the United States (current law requires filing only with the Virgin Islands). Imposes a penalty for failure to file a required return and increases such penalty for willful violations.

Title V: Protection of United States Workers From Competition of Foreign Workforces - (Sec. 501) Amends the Office of Federal Procurement Policy Act to prohibit: (1) outsourced Federal Government work from being performed by a contractor outside the United States unless Federal employees previously performed such work outside the United States; (2) Federal contracts from being performed outside the United States except to meet a requirement of an executive agency for the contract to be performed specifically at a location outside the United States; and (3) Federal funds from being disbursed to a State unless the Governor of the State has transmitted written certification that none of the funds will be spent on work performed outside the United States (this provision does not apply to States for the fiscal year of the enactment of this Act and the next fiscal year).

Exempts executive agency contracts from limitations on outsourcing if the President determines that it is in the national security interests for such contract to be performed outside the United States, or the head of such executive agency determines that property or services needed by the agency are available only outside the United States and that no property or services available inside the United States would satisfy the agency's needs.

Excludes from limitations on outsourcing of Federal and State resources, procurement covered by the World Trade Organization Government Procurement Agreement. Excludes from limitations on outsourcing of Federal work: (1) the

Departments of Defense Army, Navy, or Air Force or any of their agencies or entities; (2) the Department of Homeland Security; (3) the Department of Energy with respect to national security programs; or (4) any element of the intelligence community.

Requires the Director of the Office of Management and Budget to track waivers and notifications of exemptions from outsourcing limitations and to report to Congress. Requires the Comptroller General to review annually waivers of outsourcing limitations and disbursements to States subject to outsourcing limitations and to report to Congress.

(Sec. 502) Repeals provisions of the Transportation, Treasury, and Independent Agencies Appropriations Act, 2004 relating to outsourcing limitations that are superseded by this Act.

(Sec. 503) Provides that this Title shall be effective 30 days after the Secretary of Commerce certifies that it will not result in the loss of more jobs than it will protect and will not harm the U.S. economy. Renders the provisions of this Title inapplicable to the extent that they may be inconsistent with obligations under international agreements.

TITLE VI: Other Provisions - Subtitle A: Provisions Relating to Housing - (Sec. 601) Amends the Internal Revenue Code to: (1) repeal, for mortgage revenue bonds issued after enactment of this Act, the requirement that payments received on such bonds within ten years after the date of issuance must be applied for payment of outstanding bonds; (2) treat mortgage insurance premiums that are paid for a principal residence as deductible mortgage interest (phases out the deductible amount of mortgage insurance premiums for a taxpayer with an adjusted gross income exceeding \$100,000); and (3) increase the tax credit for historic rehabilitation expenditures from 20 to 25 percent of expenditures for historic structures that provide low-income housing for tenants age 65 or older.

Subtitle B: Provisions Relating to Bonds - (Sec. 611) Extends tax-exempt bond financing for New York Liberty Bonds through 2009 and for advance refundings of such bonds through 2005.

(Sec. 612) Expands the allowable uses of qualified zone academy bond proceeds to include construction and land acquisition.

(Sec. 613) Treats Indian Tribal Governments as States for purposes of the rules relating to tax-exempt bonds issued before January 1, 2006.

(Sec. 614) Revises the definition of "manufacturing facility" for purposes of qualified small issue bonds to include the manufacture of tangible personal property, software products, biobased products, and bioenergy production.

(Sec. 615) Treats certain qualified forest conservation bonds issued prior to December 31, 2006, as tax-exempt facility bonds.

(Sec. 616) Authorizes the Secretary to establish a pilot program to allow Indian tribes to issue tribal school modernization bonds for the construction, rehabilitation, or repair of tribal schools. Allows a tax credit for holders of qualified tribal school modernization bonds.

Subtitle C: Provisions Relating to Depreciation - (Sec. 621) Sets forth a special rule for determining the date certain bonus depreciation property, including certain noncommercial aircraft, is placed in service.

(Sec. 623) Establishes a seven-year depreciation recovery period for any motorsports entertainment complex.

(Sec. 624) Allows corporations a refundable credit against the alternative minimum tax in lieu of claiming certain bonus

depreciation.

Subtitle D: Expansion of Business Credit - (Sec. 631) Allows an increased new markets tax credit for investment in Native American reservations with a poverty rate of at least 40 percent.

(Sec. 632) Allows a business tax credit for wages paid to a Ready Reserve-National Guard employee called to active duty. Limits the credit to 50 percent of the lesser of actual compensation paid or \$30,000. Allows an increased refundable credit for wages paid to first responders, defined as law enforcement officials, firefighters, paramedics, and Ready Reserve-National Guard employees.

Allows a tax credit for employers who hire replacement employees for Ready Reserve-National Guard employees for the period that such Reservists or Guardsmen are called to active duty.

Limits the amount of the tax exclusion for employer-provided housing for individuals employed in foreign countries.

(Sec. 633) Establishes a business tax credit for investment in certain rural buildings and in certain rural small businesses.

(Sec. 635) Establishes a business tax credit for expenditures for railroad track maintenance and a credit for expenditures for railroad revitalization, including the costs of: (1) environmental review, track and track structure rehabilitation; (3) safety and security improvements; and (4) intercity passenger rail equipment acquisition.

Allows a business tax credit for rail infrastructure projects in the New York Liberty Zone (an area in New York City designated for the issuance of tax-exempt facility bonds).

(Sec. 637) Directs the Secretary to issue new regulations for the designation of targeted areas for the new markets tax credit.

(Sec. 638) Modifies income requirements pertaining to families in low-income communities within high migration rural counties for purposes of the new markets tax credit.

(Sec. 639) Establishes a business tax credit for expenditures to provide access to motion pictures for the deaf and hard of hearing;

Subtitle E: Miscellaneous Provisions - (Sec. 641) Excludes from the unrelated business taxable income of tax-exempt organizations income from investments for the cleanup and remediation of certain brownfield sites.

(Sec. 642) Excludes certain debt incurred by a small business investment company and guaranteed by the Small Business Administration from the tax on unrelated debt-financed income of tax-exempt organizations.

(Sec. 643) Allows a tax deduction from gross income for attorney fees and court costs paid for legal actions involving a claim of unlawful discrimination.

(Sec. 644) Excludes from gross income payments under the National Health Service Corps loan repayment program and certain State repayment programs.

(Sec. 645) Increases the tax deduction for the expenses of rural letter carriers.

(Sec. 646) Specifies a method of accounting for certain naval ship contracts.

(Sec. 647) Suspends the application of rules imposing income tax on distributions to shareholders from the policyholder's

surplus account of a life insurance company for taxable years beginning in 2004 and 2005.

(Sec. 648) Provides that dividends on the capital stock or other proprietary capital interests of certain tax-exempt cooperatives shall not reduce the net earnings of such cooperatives.

(Sec. 649) Modifies involuntary conversion rules to extend from two to four years the replacement period for livestock sold due to drought, flood, or other weather-related conditions. Allows the Secretary to extend the replacement period on a regional basis if weather related conditions continue for more than three years.

(Sec. 650) Exempts from tax certain termination payments received by a motor vehicle dealer from a manufacturer of a discontinued vehicle if the dealer reinvests the payment in property used in the dealership within two years after the dealer returns the discontinued vehicles.

(Sec. 651) Authorizes the Secretary of Housing and Urban Development to expand an area designated as a renewal community to include certain census tracts of general distress or with increased poverty rates based on 2000 census data.

(Sec. 652) Reduces from 24 to 12 months the holding period for horses used in a trade or business for purposes of the capital gains tax.

(Sec. 653) Establishes a Blue Ribbon Commission on Comprehensive Tax Reform to study comprehensive reform of the Federal tax system and to report its findings to the President and to Congress.

(Sec. 654) Allows distributions from an employee stock benefit plan (ESOP) held by an S corporation for the purposes of repaying a loan used to purchase employer securities without losing ESOP qualification or violating rules against prohibited transactions.

(Sec. 655) Revises the definition of "reasonably anticipated needs of a business" for purposes of the accumulated earnings tax to include working capital for a business that includes operating expenses, taxes, and interest expenses.

(Sec. 656) Permits a State-owned railroad corporation that is held by a REIT to be converted into a State-owned tax-exempt corporation, without the recognition of gain upon conversion. Allows such corporations to issue tax-exempt bonds.

(Sec. 657) Revises the definition of "contributions in aid of construction" for purposes of the tax exclusion for such contributions to include customer connection fees for water and sewerage disposal utilities.

(Sec. 658) Establishes a business tax credit for the purchase and installation of agricultural water conservation systems.

(Sec. 659) Modifies involuntary conversion rules for certain corporations filing consolidated returns that were affected by the September 11, 2001, terrorist attacks in New York City.

(Sec. 660) Repeals the application of below-market loan rules for loans to certain continuing care facilities under a continuing care contract.

(Sec. 661) Revises the capital gains tax treatment of certain collectibles.

(Sec. 662) Amends title XIX (Medicaid) of the Social Security Act to include as an optional Medicaid benefit primary and secondary medical strategies and treatment for individuals with sickle cell anemia.

Subtitle F: Revenue Provisions - Part I: General Revenue Provisions - (Sec. 661A) Authorizes the Secretary to issue regulations for denying a foreign tax credit for certain applications of the credit.

(Sec. 662B) Makes permanent the 18-month period for IRS notification of tax liabilities before interest and penalties can be assessed, except for liabilities resulting from gross misstatements or from certain tax shelter transactions.

Part II: Pension and Deferred Compensation - (Sec. 671) Sets forth rules for determining the includibility in gross income of deferred compensation under nonqualified deferred compensation plans when such compensation is no longer subject to a substantial risk of forfeiture. Sets forth criteria for determining whether plan compensation is subject to a substantial risk of forfeiture.

(Sec. 672) Prohibits deferral of gain from the exercise of stock options and restricted stock gains through deferred compensation arrangements.

(Sec. 673) Requires a withholding of tax rate of 28 percent for supplemental wage payments exceeding \$1 million.

(Sec. 674) Provides that the exercise of a stock option shall comply with specified conflict-of-interest requirements if sold pursuant to a certificate of divestiture.

(Sec. 675) Provides that investments in annuity contracts shall not include any nontaxable contributions for purposes of determining the portion of any distribution which is includible in the gross income of a citizen or resident of the United States.

TITLE VII: Extensions of Certain Expiring Provisions - Subtitle A: Extensions - (Sec. 701) Extends through December 31, 2005, provisions of the Code, the Employee Retirement Income Security Act of 1974 (ERISA) and the Public Health Service Act requiring parity in the application of group health plan limits to mental health benefits.

(Sec. 702) Consolidates and modifies provisions of the work opportunity credit and the welfare-to-work credit and makes the combined credit permanent. Expands eligibility for the credit by: (1) determining eligibility of ex-felons without regard to family income; and (2) raising the age ceiling of food stamp recipients from 25 to 40. Includes "designated community resident" (in lieu of "high risk youth") as a member of a targeted group for purposes of the credit.

Repeals the separate welfare-to-work tax credit.

Extends through 2005 the following expiring tax provisions: (1) the authorization for States to issue up to \$400 million of qualified zone academy bonds; (2) the tax deduction for certain corporate donations of scientific research property and computer technology and equipment used for educational purposes; (3) the tax deduction from gross income for certain expenses of elementary and secondary school teachers; (4) expensing provisions for environmental remediation costs; (5) the authority for issuance of tax-exempt New York Liberty Bonds; (6) the designation of a District of Columbia enterprise zone, the authority to issue tax-exempt economic development bonds within a District of Columbia Enterprise Zone, the exclusion of gain from the sale or exchange of a District of Columbia Enterprise Zone asset held for more than five years, and the tax credit for first-time District of Columbia home buyers; (7) the Indian employment tax credit; (8) accelerated depreciation for business property on Indian Reservations; and (9) the authority for disclosing certain tax return information to the Department of Education for taxpayers seeking student loan repayment plans based on income.

(Sec. 705) Extends until January 1, 2006, the increased amount (\$13.25 instead of \$10.50) of excise tax on distilled spirits required to be paid back (covered) to the Treasuries of Puerto Rico and the Virgin Islands.

Extends through 2004 the following expiring tax provisions: (1) the tax credit for electricity produced from wind, closed-loop biomass, and poultry waste facilities; (2) the taxable income limit on percentage depletion for oil and natural gas produced from marginal facilities; and (3) the allowance of nonrefundable tax credits against income and alternative minimum tax liabilities.

(Sec. 710) Repeals provisions that provided for a reduction in certain deductions of mutual life insurance companies (previously repealed by the Pension Funding Equity Act of 2004).

(Sec. 712) Makes permanent the combined Federal and state employment tax reporting program.

(Sec. 719) Amends the Employee Retirement Income Security Act (ERISA) of 1974 with respect to transfers of excess pension assets to retiree health accounts.

(Sec. 720) Eliminates the phase-out of the tax credit for qualified electric vehicles.

(Sec. 721) Eliminates the phase-out in 2004 to 2006 of the tax deduction for clean-fuel vehicle property.

Subtitle B: Revenue Provisions - (Sec. 731) Revises rules for claiming tax deductions for charitable donations of motor vehicles, boats, and airplanes valued over \$500. Limits the allowable amount of such deductions to the gross proceeds received by the donee charitable organization from the sale of the donated vehicle. Requires the donee organization to provide donors with a written acknowledgment of the contribution within 30 days of the donation. Imposes a penalty upon donee organizations for providing false or fraudulent acknowledgments.

(Sec. 732) Adds the trivalent vaccine against influenza as a taxable vaccine for purposes of the excise tax on certain vaccines.

(Sec. 733) Specifies standards for regulations governing contingent payment convertible debt instruments.

(Sec. 734) Increases from 15 to 100 percent the allowable amount of the continuing levy on Federal vendor payments for unpaid taxes.

Title VIII: Energy Tax Incentives - (Sec. 800) Energy Tax Incentives Act - **Subtitle A: Renewable Electricity**

Production Tax Credit - Modifies the tax credit for electricity produced from certain renewable resources to extend placed-in-service dates for certain energy resources eligible for the credit and to include the following energy resources: (1) open-loop biomass; (2) geothermal energy; (3) solar energy; (4) small irrigation power; (5) biosolids and sludge; and (6) municipal solid waste. Permits certain tax-exempt organizations, public utilities, and governmental entities (including the Tennessee Valley Authority (TVA)) eligible for the credit to assign unused credit amounts to other entities or individuals.

Subtitle B: Alternative Motor Vehicles and Fuels Incentives - (Sec. 811) Allows a tax credit for alternative motor vehicles, including a fuel cell motor vehicle credit, a hybrid motor vehicle credit, and an alternative fuel motor vehicle credit. Sets forth formulae for determining the allowable amount of such credits based upon size of the vehicle and fuel efficiency ratings. Terminates the credit after 2011 for fuel cell motor vehicles and after 2006 for the other vehicles.

(Sec. 812) Increases the tax credit for qualified electric vehicles and makes certain battery-operated vehicles eligible for the credit.

(Sec. 813) Allows a tax credit for up to 50 percent of the cost of installing a clean-fuel vehicle refueling property, up to

\$30,000 for a retail property and \$1,000 for a residential property. Terminates the credit for: (1) a property relating to hydrogen after 2011; and (2) any other property after 2007.

(Sec. 814) Allows a tax credit for the retail sale of alternative fuels as motor vehicle fuel. Defines "alternative fuel" as compressed natural gas, liquefied natural gas, liquefied petroleum gas, hydrogen, or any liquid at least 85 percent of the volume of which consists of methanol or ethanol. Terminates the credit after 2006.

(Sec. 815) Modifies the small ethanol producer tax credit to allow the allocation of credit amounts to patrons of a tax-exempt cooperative organization. Changes the definition of a small ethanol producer to increase from 30 to 60 million gallons the required capacity of a producer to qualify for the credit. Allows a small ethanol producer to apply credit amounts against alternative minimum tax liability.

Subtitle C: Conservation and Energy Efficiency Provisions - (Sec. 821) Allows a tax credit for the cost of certain energy efficient property installed in a principal residence built or manufactured after 2004. Limits the amount of the credit based upon the projected savings in heating and cooling energy consumption.

(Sec. 822) Allows a tax credit for certain energy efficient home appliances.

(Sec. 823) Allows a tax credit for the cost of certain residential energy efficient properties, including photovoltaic and solar water heating properties. Terminates the credit after 2007. Allows the application of the credit against income and alternative minimum tax liability.

(Sec. 824) Allows an energy tax credit for the cost of qualified fuel cell property or microturbine property.

(Sec. 825) Allows a tax deduction for the cost of energy conserving properties installed in a new or renovated commercial building. Terminates the credit for buildings uncompleted as of December 31, 2009.

(Sec. 826) Provides for an accelerated three-year recovery period for the depreciation of a qualified energy management device (a device that measures electricity consumption).

(Sec. 827) Provides for an accelerated three-year recovery period for the depreciation of a qualified water submetering device (a device used to measure water consumption).

(Sec. 828) Allows a tax credit for combined heat and power system property.

(Sec. 829) Allows a tax credit for ten percent of the costs of energy efficient improvements made to an existing home up to \$300, reduced by energy credits received for all preceding taxable years.

Subtitle D: Clean Coal Incentives - Part I: Credit for Emission Reductions and Efficiency Improvements in Existing Coal-Based Electricity Generation Facilities - (Sec. 831) Allows a business tax credit for a certain amount of clean coal technology production within a ten-year period after the clean coal technology unit was returned to service.

Part II: Incentives for Early Commercial Applications of Advanced Clean Coal Technologies - (Sec. 832) Allows a tax credit for ten percent of the cost of investing in an advanced clean coal technology unit.

(Sec. 833) Allows a tax credit for certain levels of production from an advanced clean coal technology unit.

Part III: Treatment of Persons Not Able to Use Entire Credit - (Sec. 834) Permits certain tax-exempt organizations, utilities, and governmental entities (including the TVA) to assign amounts of unused tax credits for clean coal technology

production to other entities or individuals.

Subtitle E: Oil and Gas Provisions - (Sec. 841) Allows a tax credit for producing oil and gas from marginal wells.

(Sec. 842) Provides for a seven-year recovery period for the depreciation of any natural gas gathering line.

(Sec. 843) Allows a current year tax deduction for up to 75 percent of the capital costs incurred in complying with Environmental Protection Agency (EPA) sulfur regulations.

(Sec. 844) Allows a business tax credit for the production of low sulfur diesel fuel.

(Sec. 845) Modifies the definition of small refiners for purposes of the percentage depletion allowance to require an average daily run of less than 60,000 barrels (current law requires less than 50,000 barrels).

(Sec. 846) Extends through 2006 the suspension of the 100 percent of net income limit on percentage depletion for oil and natural gas produced from marginal properties.

(Sec. 847) Permits the amortization of delay rental payments (payments by oil and gas producers under production contracts with mineral owners when the producer delays mineral production to delay payments of royalties under the contract) over a two-year period.

(Sec. 848) Permits the amortization of geological and geophysical expenditures in connection with oil and gas exploration in the United States over a two-year period.

(Sec. 849) Revises the tax credit for producing fuel from a nonconventional source to extend placed-in-service dates for certain fuel producing facilities and to add facilities producing fuels from agricultural and animal waste, viscous oil, refined coal, and coal mine gas as fuel sources eligible for the credit. Directs the Secretary to study the effect of this tax credit on the production of coal bed methane.

(Sec. 850) Allows a 15-year recovery period for the depreciation of natural gas distribution lines.

(Sec. 851) Allows a tax credit for production of Alaska natural gas equal to \$0.52 per 1 million British thermal units of Alaska natural gas, adjusted for inflation. Allows application of the credit amount against income and alternative minimum tax liabilities.

Allows a seven-year recovery period for the depreciation of any Alaska natural gas pipeline.

(Sec. 854) Creates an exception to arbitrage bond rules by excluding from the term "investment-type property" a prepayment under a qualified natural gas contract.

Subtitle F: Electric Utility Restructuring Provisions - (Sec. 855) Revises rules for nuclear decommissioning costs

(Sec. 856) Allows tax-exempt cooperatives to receive income from nonmembers and to participate in open access transactions without losing their tax-exempt status.

(Sec. 857) Permits the recognition of gain from an electric transmission transaction ratably over an eight-year period.

Subtitle G: Volumetric Ethanol Excise Tax Credit - (Sec. 860) Volumetric Ethanol Excise Tax Credit (VEETC) Act of 2004 - Allows a credit against the gasoline excise tax for alcohol fuel and biodiesel mixtures.

(Sec. 862) Allows an income tax credit for biodiesel used as fuel.

Subtitle H: Fuel Fraud Prevention - (Sec. 870) Fuel Fraud Prevention Act of 2004 - **Part I: Aviation Jet Fuel** - Revises rules for the taxation of aviation-grade kerosene. Retains current tax rates on such fuel, but allows a reduced rate of 4.4 percent (as under current law) for fuel which is removed from any refinery or terminal directly into the fuel tank of a commercial aircraft.

(Sec. 872) Requires annual payments from the Airport and Airway Trust Fund into the Highway Trust Fund of amounts attributable to fuel used primarily for highway transportation purposes.

Part II: Dyed Fuel - (Sec. 873) Changes the dyeing process for the diesel fuel and kerosene tax exemption from manual to mechanical injection. Requires the Secretary to issue regulations on mechanical dye injection systems, including making such systems tamper resistant. Imposes a penalty for tampering with a mechanical dye injection system of the greater of \$25,000 or \$10 for each gallon of fuel involved. Imposes a penalty up

Actions Timeline

- **Jul 15, 2004:** See also H.R. 4520.
- **May 11, 2004:** Considered by Senate. (consideration: CR S5179-5190, S5191-5218)
- **May 11, 2004:** Cloture on the bill invoked in Senate by Yea-Nay Vote. 90 - 8. Record Vote Number: 87. (consideration: CR S5184)
- **May 11, 2004:** Passed/agreed to in Senate: Passed Senate with an amendment by Yea-Nay Vote. 92 - 5. Record Vote Number: 91.
- **May 11, 2004:** Passed Senate with an amendment by Yea-Nay Vote. 92 - 5. Record Vote Number: 91.
- **May 7, 2004:** Considered by Senate. (consideration: CR S5044-5047)
- **May 7, 2004:** Cloture motion on the bill presented in Senate. (consideration: CR S5045; text: CR S5045)
- **May 5, 2004:** Considered by Senate. (consideration: CR S4861-4897)
- **May 4, 2004:** Considered by Senate. (consideration: CR S4787-4794, S4794-4822)
- **May 3, 2004:** Considered by Senate. (consideration: CR S4737-4761)
- **Apr 8, 2004:** Considered by Senate. (considered by unanimous consent agreement: CR S4008-4009)
- **Apr 8, 2004:** Recommitted to Senate Committee on Finance with instructions to report forthwith with the following amendment (SA 3011) by Unanimous Consent. (considered by unanimous consent agreement: CR S4008-4009)
- **Apr 8, 2004:** Committee on Finance. Reported by Senator Grassley with an amendment in the nature of a substitute (Amendment SA 3011) pursuant to the instructions of the motion to recommit.
- **Apr 8, 2004:** Committee on Finance. Reported by Senator Grassley with an amendment in the nature of a substitute (Amendment SA 3011) pursuant to the instructions of the motion to recommit.
- **Apr 8, 2004:** The committee substitute (the language of amendment SA 3011) agreed to by Unanimous Consent.
- **Apr 7, 2004:** Second cloture on the motion to recommit not invoked in Senate by Yea-Nay Vote. 50 - 47. Record Vote Number: 67. (consideration: CR S3894-3895)
- **Apr 5, 2004:** Motion by Senator McConnell to recommit to Senate Committee on Finance with instructions that the Committee report forthwith with the following amendment (SA 2886) withdrawn in Senate. (consideration: CR S3628)
- **Apr 5, 2004:** Motion by Senator Frist to reconsider vote by which cloture was not invoked on the motion to recommit withdrawn in Senate. (consideration: CR S3628)
- **Apr 5, 2004:** Motion by Senator Frist to recommit to Senate Committee on Finance with instructions that the Committee report forthwith with the following amendment (SA3011) made in Senate. (consideration: CR S3628; text: CR S3628)
- **Apr 5, 2004:** Second cloture motion on the motion to recommit S. 1637 to the Committee on Finance presented in Senate.
- **Mar 24, 2004:** Considered by Senate. (consideration: CR S3060-3070, S3071, S3072-3076, S3082-3092)
- **Mar 24, 2004:** Cloture on the motion to recommit not invoked in Senate by Yea-Nay Vote. 51 - 47. Record Vote Number: 60. (consideration: CR S3066; text: CR S3066)
- **Mar 24, 2004:** Motion by Senator Frist to reconsider vote by which cloture was not invoked on the motion to recommit entered in Senate. (consideration: CR S3066)
- **Mar 23, 2004:** Considered by Senate. (consideration: CR S2958-2984)
- **Mar 22, 2004:** Considered by Senate. (consideration: CR S2842-2846, S2848-2850, S2851-2853)
- **Mar 22, 2004:** Motion by Senator Frist to recommit to Senate Committee on Finance with instructions that the Committee report forthwith with the following amendment (SA 2886) made in Senate. (consideration: CR S2853; text: CR S2853)
- **Mar 22, 2004:** Cloture motion on the motion to recommit S. 1637 to the Committee on Finance presented in Senate. (consideration: CR S2853; text: CR S2853)
- **Mar 4, 2004:** Considered by Senate. (consideration: CR S2188-2210, S2211-2217)
- **Mar 3, 2004:** Measure laid before Senate. (consideration: CR S2025-2102; text of measure as reported in Senate: CR S2025-2663)
- **Mar 3, 2004:** The committee substitute as amended agreed to by Unanimous Consent.
- **Nov 7, 2003:** Committee on Finance. Reported by Senator Grassley with an amendment in the nature of a substitute. With written report No. 108-192. Additional and Minority views filed.
- **Nov 7, 2003:** Committee on Finance. Reported by Senator Grassley with an amendment in the nature of a substitute. With written report No. 108-192. Additional and Minority views filed.
- **Nov 7, 2003:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 381.

Oct 2, 2003: Committee on Finance. Ordered to be reported with an amendment in the nature of a substitute favorably.

- **Sep 18, 2003:** Introduced in Senate
- **Sep 18, 2003:** Read twice and referred to the Committee on Finance.