

## HR 505

### Balancing Act

**Congress:** 113 (2013–2015, Ended)

**Chamber:** House

**Policy Area:** Economics and Public Finance

**Introduced:** Feb 5, 2013

**Current Status:** Referred to the Subcommittee on Higher Education and Workforce Training.

**Latest Action:** Referred to the Subcommittee on Higher Education and Workforce Training. (Apr 23, 2013)

**Official Text:** <https://www.congress.gov/bill/113th-congress/house-bill/505>

### Sponsor

**Name:** Rep. Ellison, Keith [D-MN-5]

**Party:** Democratic • **State:** MN • **Chamber:** House

### Cosponsors (17 total)

Cosponsor	Party / State	Role	Date Joined
Rep. Chu, Judy [D-CA-27]	D · CA		Feb 5, 2013
Rep. Clarke, Yvette D. [D-NY-9]	D · NY		Feb 5, 2013
Rep. Clay, Wm. Lacy [D-MO-1]	D · MO		Feb 5, 2013
Rep. Cohen, Steve [D-TN-9]	D · TN		Feb 5, 2013
Rep. Conyers, John, Jr. [D-MI-13]	D · MI		Feb 5, 2013
Rep. Grayson, Alan [D-FL-9]	D · FL		Feb 5, 2013
Rep. Grijalva, Raúl M. [D-AZ-3]	D · AZ		Feb 5, 2013
Rep. Gutierrez, Luis V. [D-IL-4]	D · IL		Feb 5, 2013
Rep. Johnson, Eddie Bernice [D-TX-30]	D · TX		Feb 5, 2013
Rep. Lee, Barbara [D-CA-13]	D · CA		Feb 5, 2013
Rep. Markey, Edward J. [D-MA-5]	D · MA		Feb 5, 2013
Rep. McDermott, Jim [D-WA-7]	D · WA		Feb 5, 2013
Rep. Nadler, Jerrold [D-NY-10]	D · NY		Feb 5, 2013
Rep. Schakowsky, Janice D. [D-IL-9]	D · IL		Feb 5, 2013
Del. Norton, Eleanor Holmes [D-DC-At Large]	D · DC		Mar 6, 2013
Rep. Wilson, Frederica S. [D-FL-24]	D · FL		Mar 12, 2013
Del. Christensen, Donna M. [D-VI-At Large]	D · VI		Jun 11, 2013

## Committee Activity

Committee	Chamber	Activity	Date
Armed Services Committee	House	Referred To	Feb 5, 2013
Budget Committee	House	Referred To	Feb 5, 2013
Education and Workforce Committee	House	Referred to	Apr 23, 2013
Education and Workforce Committee	House	Referred to	Apr 23, 2013
Financial Services Committee	House	Referred To	Feb 5, 2013
Oversight and Government Reform Committee	House	Referred To	Feb 5, 2013
Transportation and Infrastructure Committee	House	Referred to	Feb 6, 2013
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Transportation and Infrastructure Committee	House	Referred to	Feb 6, 2013
Transportation and Infrastructure Committee	House	Referred to	Feb 6, 2013
Ways and Means Committee	House	Referred To	Feb 5, 2013

## Subjects & Policy Tags

### Policy Area:

Economics and Public Finance

## Related Bills

Bill	Relationship	Last Action
113 HR 2821	Related bill	<b>Sep 18, 2014:</b> Motion to Discharge Committee filed by Ms. Wilson (FL). Petition No: 113-12. (<a href="http://clerk.house.gov/113/lrc/pd/petitions/DisPet0012.xml ">Discharge petition</a> text with signatures.)
113 S 2899	Related bill	<b>Sep 18, 2014:</b> Read twice and referred to the Committee on Finance.
113 HR 3939	Related bill	<b>Jun 13, 2014:</b> Referred to the Subcommittee on Workforce Protections.
113 HR 4107	Related bill	<b>Feb 27, 2014:</b> Referred to the House Committee on Armed Services.
113 S 2070	Related bill	<b>Feb 27, 2014:</b> Read twice and referred to the Committee on Armed Services.
113 HR 4061	Related bill	<b>Feb 14, 2014:</b> Referred to the House Committee on Ways and Means.
113 S 1716	Related bill	<b>Nov 14, 2013:</b> Read twice and referred to the Committee on Commerce, Science, and Transportation.
113 HR 2563	Related bill	<b>Jun 27, 2013:</b> Referred to the House Committee on Ways and Means.
113 HR 2054	Related bill	<b>May 20, 2013:</b> Referred to the House Committee on Ways and Means.
113 S 991	Related bill	<b>May 20, 2013:</b> Read twice and referred to the Committee on Finance.
113 HR 1506	Related bill	<b>Apr 23, 2013:</b> Referred to the Subcommittee on Strategic Forces.
113 HR 900	Related bill	<b>Mar 6, 2013:</b> Sponsor introductory remarks on measure. (CR E250)
113 HR 348	Related bill	<b>Jan 22, 2013:</b> Referred to the House Committee on Ways and Means.

**Balancing Act - Title I: Repeal Sequester** - Amends the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings Act), as amended by the Budget Control Act of 2011, to repeal certain sequestration requirements for enforcement of a specified budget goal.

**Title II: Close Tax Loopholes to Achieve Balance - Subtitle A: 28 Percent Limitation on Certain Deductions and Exclusions** - Amends the Internal Revenue Code to limit tax deductions and other tax exclusions for taxpayers whose adjusted gross income exceeds \$200,000 (\$250,000 for married taxpayers filing a joint return).

**Subtitle B: Tax Carried Interest in Investment Partnerships as Ordinary Income** - Amends the Internal Revenue Code to: (1) set forth a special rule for the inclusion in gross income of partnership interests transferred in connection with the performance of services, (2) treat as ordinary income the net capital gain with respect to an investment services partnership interest except to the extent such gain is attributable to a partner's qualified capital interest, (3) exempt income from investment services partnership interests from treatment as qualifying income of a publicly-traded partnership, (4) increase the penalty for underpayments of tax resulting from failure to treat income from an investment services partnership interest as ordinary income, and (5) include income and loss from an investment services partnership interest for purposes of determining net earnings from self-employment and applicable self-employment taxes.

Defines "investment services partnership interest" as any interest in a partnership acquired or held by a person who provides services to a partnership by: (1) advising the partnership about investing in, purchasing, or selling specified assets; (2) managing, acquiring, or disposing of specified assets; or (3) arranging financing with respect to acquiring specified assets.

**Subtitle C: Dual Capacity Taxpayers** - Denies a foreign tax credit to a person who is subject to a levy of a foreign country or possession of the United States and who directly or indirectly receives an economic benefit from such country or possession (dual capacity taxpayer).

**Subtitle D: Close Exclusion of Foreign-Earned Income Loophole** - Repeals the tax exclusion for foreign earned income.

**Subtitle E: Close S Corporation Loophole** - Amends the Internal Revenue Code and title II (Old Age, Survivors and Disability Insurance) of the Social Security Act to require certain shareholders of a subchapter S corporation engaged as a partner in a professional service business to include income or loss attributable to such business in their net earnings from self-employment for employment tax purposes. Defines a "professional service business" as any trade or business providing services in the fields of health, law, lobbying, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, investment advice or management, or brokerage services.

**Subtitle F: Limitation on Mortgage Interest Deduction With Respect to Boats** - Eliminates the mortgage interest tax deduction for second residences that are boats.

**Title III: Ending Corporate Subsidies - Subtitle A: End Fossil Fuel Subsidies** - Amends the Internal Revenue Code to: (1) terminate the tax subsidy for fossil-fuel related uses of alternative fuel vehicle refueling property; (2) increase to seven years the amortization period for geological and geophysical expenditures; (3) repeal the tax deduction for income attributable to the mining of any hard mineral and the domestic production of oil, natural gas, or primary products thereof; (4) deny the use of the last-in, first-out (LIFO) inventory accounting method to oil, natural gas, and coal companies; (5)

repeal percentage depletion for coal, lignite, and oil shale; (6) repeal capital gains tax treatment for royalties from coal; (7) increase the financing rate for the Oil Spill Liability Trust Fund; (8) deny a tax deduction for expenses for removal costs and damages relating to certain oil spill liability; and (9) impose a tax on the removal price of any taxable crude oil or natural gas from federal submerged lands on the Outer Continental Shelf.

**Subtitle B: Ending Excessive Corporate Tax Deductions for Stock Options** - Amends the Internal Revenue Code to: (1) limit the employer tax deduction for employee stock options to the value of such options as recorded on the employer's books at the time such options are granted, and (2) apply the \$1 million limitation on the employer tax deduction for employee remuneration to stock option compensation.

**Subtitle C: Reduce Deduction of Corporate Meals and Entertainment** - Reduces from 50% to 25% the tax deduction for business meals and entertainment expenses after 2012.

**Title IV: Close International Tax System Loopholes - Subtitle A: Reformation of U.S. International Tax System** - Imposes new restrictions on U.S. corporations and other entities with foreign income with respect to: (1) tax deductions allocable to deferred foreign income, (2) the recalculation of foreign income taxes, (3) intangible property transferred overseas, and (4) tax evasion activities by U.S. corporations reincorporating in a foreign country.

**Subtitle B: Reinsurance** - Amends the Internal Revenue Code to exclude from the taxable income of a life insurance company or other insurance company: (1) any non-taxed reinsurance premium; (2) any additional amount paid by an insurance company with respect to the reinsurance for which such non-taxed reinsurance premium is paid; and (3) any return premium, ceding commission, reinsurance recovered, or other amount received by an insurance company with respect to the reinsurance for which such non-taxed reinsurance premium is paid.

**Subtitle C: Close Loophole for Corporate Jet Depreciation** - Amends the Internal Revenue Code to classify general aviation aircraft as seven-year property for purposes of the depreciation tax deduction (currently, expenses for aircraft can be deducted or expensed in the current taxable year). Defines "general aviation aircraft" as any airplane or helicopter not used in commercial or contract carrying of passengers or freight, but which primarily engages in the carrying of passengers.

**Title V: Close Estate Tax Loopholes** - Amends the Internal Revenue Code, with respect to the estate tax, to: (1) set forth valuation rules for certain transfers of nonbusiness assets; (2) limit estate tax discounts for certain individuals with minority interests in a business acquired from a decedent; (3) require that the value of the basis in any property acquired from a decedent or by gift be consistent with the basis as determined for estate and gift tax purposes; (4) require executors of estates and donors of gifts required to file a gift tax return to disclose to the Secretary of the Treasury, and to recipients of any interest in an estate or a gift, information identifying the value of each interest received; (5) expand rules for valuing assets in grantor-retained annuity trusts; and (6) terminate the generation-skipping transfer exemption for certain long-term trusts (perpetual dynasty trusts) 90 years after the establishment of such trusts.

**Title VI: Cut Pentagon Waste to Achieve Balance - Subtitle A: Smarter Approach to Nuclear Expenditures** - Smarter Approach to Nuclear Expenditures Act - Prohibits using funds appropriated to the Department of Defense (DOD) for FY2014 or thereafter: (1) to arm a B-2 or B-52 aircraft with a nuclear weapon; (2) for the research, development, test, and evaluation (RDT&E) or procurement of a long-range penetrating bomber aircraft; (3) to make the F-35 Joint Strike Fighter aircraft capable of carrying nuclear weapons; or (4) for the B61 or W78 life extension program. Prohibits, beginning in FY2014, the Navy from including more than eight operational ballistic-missile submarines available for deployment. Prohibits the use of DOD funds: (1) for FY2014-FY2024, to procure an SSBN-X submarine; and (2) for FY2025 and thereafter, to procure more than eight such submarines. Prohibits using DOD funds for FY2014 or thereafter:

(1) to maintain more than 200 intercontinental ballistic missiles (ICBMs), (2) to maintain more than 250 submarine-launched ballistic missiles, (3) for the RDT&E or procurement of a new ICBM, or (4) for the medium extended air defense system. Prohibits using DOD or Department of Energy (DOE) funds for FY2014 or thereafter for: (1) the mixed oxide fuel fabrication facility project, (2) the chemistry and metallurgy research replacement nuclear facility, and (3) the uranium processing facility at the Y-12 National Security Complex. Directs the President to annually submit to Congress a comprehensive accounting by the Director of the Office of Management and Budget (OMB) of the amounts obligated or expended by the federal government for each nuclear weapon and related nuclear program during the fiscal year covered by the report and the life cycle of such weapon or program.

**Subtitle B: Limiting Excessive Contractor Compensation** - Limits the amount of compensation payable to employees of government contractors to the rate payable for level I of the Executive Schedule.

**Subtitle C: Relocate Troops From Europe to the United States** - Directs the DOD Secretary to complete the relocation to U.S. military installations of at least 10,000 members of the Armed Forces (members) who are currently assigned to permanent duty ashore in Europe. Prohibits the replacement in Europe of any such personnel. Authorizes a relocation waiver in the event of a declaration of war or an armed attack on any European member-nation of the North Atlantic Treaty Organization (NATO).

**Subtitle D: Additional Reduction in Armed Forces End Strength Levels** - Requires Army and Marine Corps active-duty end strengths to be reduced during FY2013-FY2017 to achieve a total reduction of 20,000 for the Army and 7,000 for the Marine Corps.

**Subtitle E: Procurement of Certain Submarines, Carriers, and Aircraft** - Prohibits DOD funds from being obligated or expended for FY2014-FY2024 to procure more than one Virginia class submarine per fiscal year. Prohibits any such obligation for FY2014 or thereafter to procure: (1) the Ford class aircraft carrier designated CVN-80, (2) V-22 Osprey aircraft, (3) 237 F-35C aircraft, (4) more than 240 F/A-18E and F aircraft, and (5) more than 200 F-35B aircraft.

**Subtitle F: Limit Military Bands** - Prohibits amounts expended for any fiscal year for military musical units from exceeding \$200 million.

**Subtitle G: Reduction in Number of General and Flag Officers** - Prohibits the number of active-duty general or flag officers from exceeding six for each 10,000 active-duty members of that armed force.

**Subtitle H: Audit the Pentagon** - Requires a 5% reduction in the discretionary budget authority of a federal agency if such agency has not submitted a financial statement by March 1 of the next fiscal year, or if such statement has not received by such date an unqualified or qualified audit opinion by an independent external auditor. Excludes from such reduction accounts for military, reserve, and National Guard personnel and the Defense Health Program account. Authorizes the President to waive such reduction if it would harm national security or members serving in a combat zone.

Requires a report to Congress listing required DOD reports that would no longer be necessary if the financial statements of DOD were audited with an unqualified opinion or that interfere with DOD's capacity to achieve an audit of its financial statements with an unqualified opinion.

Expresses the sense of Congress that: (1) congressional defense committees and DOD should not endanger the nation's troops by reducing wounded warrior accounts or vital protection for members in harm's way, (2) the valuation of legacy assets by DOD should be simplified without compromising essential controls or generally accepted government auditing standards, and (3) this Act should not be construed to require or permit the declassification of accounting details about

classified defense programs and DOD should ensure financial accountability in such programs.

**Title VII: Invest in Job Creation - Subtitle A: Making Work Pay Extension** - Amends the Internal Revenue Code to reinstate for taxable years beginning in 2013 the making work pay tax credit for the lesser of 6.2% of taxpayer earned income or \$400 (\$800 for married couples filing a joint tax return).

**Subtitle B: Support for Teachers and School Modernization** - Directs the Secretary of Education to allocate grants to states and, through them, subgrants to local educational agencies (LEAs) for the costs of retaining, recalling, rehiring, or hiring employees to provide early childhood, elementary, or secondary education and related services. Allows states to reserve up to 10% of their grant for awards, for the same purposes, to state-funded early learning programs. Requires LEAs and state-funded early learning programs to obligate such funds by the close of FY2014. Prohibits the use of such grants to supplant state funding for education.

Directs the Secretary of Education to allocate grants to states and, through them, subgrants to LEAs to modernize, renovate, or repair early learning or elementary or secondary education facilities. Requires the Secretary of Education to allocate grants directly to the 100 LEAs with the largest numbers of children aged 5-17 living in poverty to modernize, renovate, or repair such facilities. Requires allocation of such funds among these LEAs in proportion to each LEA's respective share of school improvement funds under part A of title I of the Elementary and Secondary Education Act of 1965.

Requires states to give subgrant priority to projects that comply with certain green building standards. Prohibits the use of such grants for new construction, routine maintenance costs, or on facilities used for events for which the public is charged admission. Allows private, nonprofit elementary or secondary schools with a rate of child poverty of at least 40% to participate in the program on a limited basis.

Reserves funds for a survey, by the National Center for Education Statistics, of nationwide public school construction, modernization, renovation, and repair needs.

Directs the Secretary of Education to allocate grants to states to modernize, renovate, or repair existing facilities at community colleges. Prohibits the use of such grants: (1) for routine maintenance costs, (2) on facilities used for events for which the public is charged admission, or (3) on facilities which are used for sectarian purposes. Requires states, in providing assistance to community college projects, to consider the extent to which the project complies with certain green building standards.

Limits the amount of time states and LEAs have to obligate this Act's grants and subgrants.

Requires, with certain exceptions, the iron, steel, and manufactured goods used in projects funded by this title to be domestic.

**Subtitle C: Transportation Infrastructure Investments** - Makes specified funds available to the Secretary of Transportation (DOT) for: (1) grants-in-aid for airport planning and development and noise compatibility planning projects under the airport improvement program (AIP); (2) Federal Aviation Administration (FAA) Next Generation (NextGen) air traffic control system advancements; (3) highway and bridge restoration, repair, and construction projects and for passenger and freight rail transportation and port infrastructure projects; (4) grants for high-speed rail projects, capital investment grants for intercity passenger rail service, and grants to reduce congestion on intercity rail passenger transportation; (5) capital grants to the National Railroad Passenger Corporation (Amtrak); (6) transit capital assistance grants; (7) capital projects for existing fixed guideway system modernization, replacement and repair of buses and bus-

related equipment, and construction of bus-related facilities; and (8) discretionary capital investment grants for surface transportation infrastructure.

Authorizes the DOT Secretary to establish standards under which contracts for construction projects contain requirements for the local hiring of individuals to perform construction work under such contracts.

Requires projects to comply with Buy American requirements.

**Building and Upgrading Infrastructure for Long-Term Development** - Establishes the American Infrastructure Financing Authority (AIFA) as a wholly-owned government corporation to make direct loans and loan guarantees to facilitate transportation, water, or energy infrastructure projects. Requires infrastructure projects assisted under this Act to have costs that are reasonably anticipated to equal or exceed \$100 million (\$25 million for rural infrastructure projects).

Sets forth special requirements for infrastructure projects in rural areas. Requires the AIFA Chief Lending Officer to establish: (1) an Office of Rural Assistance to provide technical assistance in the development and financing of rural infrastructure projects, and (2) a Center for Excellence to provide such assistance to public sector borrowers for the same purpose.

Establishes an Office of Special Inspector General to audit and investigate the business activities of AIFA.

Makes private projects for which no public benefit is created ineligible for financial assistance. Sets forth terms for loans or loan guarantees for infrastructure projects.

Requires the Chief Executive Officer of AIFA to establish and collect fees sufficient to cover AIFA administrative costs.

Amends the Internal Revenue Code to extend through 2013 the exemption from the alternative minimum tax (AMT) for certain tax-exempt private activity bonds.

## **Actions Timeline**

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- **Apr 23, 2013:** Referred to the Subcommittee on Early Childhood, Elementary, and Secondary Education.
- **Apr 23, 2013:** Referred to the Subcommittee on Higher Education and Workforce Training.
- **Feb 6, 2013:** Referred to the Subcommittee on Aviation.
- **Feb 6, 2013:** Referred to the Subcommittee on Coast Guard and Maritime Transportation.
- **Feb 6, 2013:** Referred to the Subcommittee on Economic Development, Public Buildings and Emergency Management.
- **Feb 6, 2013:** Referred to the Subcommittee on Highways and Transit.
- **Feb 6, 2013:** Referred to the Subcommittee on Railroads, Pipelines, and Hazardous Materials.
- **Feb 6, 2013:** Referred to the Subcommittee on Water Resources and Environment.
- **Feb 5, 2013:** Introduced in House
- **Feb 5, 2013:** Referred to the Committee on Ways and Means, and in addition to the Committees on the Budget, Oversight and Government Reform, Armed Services, Education and the Workforce, Transportation and Infrastructure, and Financial Services, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.