



Legislative Bulletin.....December 8, 2005

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H.R. 4297—Amendment to the Tax Relief Extension Reconciliation Act

H.R. 4297, the Tax Relief Extension Reconciliation Act, is scheduled to be considered on the House floor today, Thursday, December 8, 2005, subject to a structured rule (H.Res. 588). The rule makes in order only one amendment—a Democrat amendment in the nature of a substitute. Below is the summary of the amendment **based on RSC staff's review of actual amendment text**. For a summary of the underlying bill, see the separate RSC document on H.R. 4297 released yesterday.

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The amendment is debatable for 60 minutes.

Rangel (D-NY): Amendment in the Nature of a Substitute:

- **Excludes** the underlying bill's:
 - extensions of capital gains and dividends tax cuts;
 - extension of the small business expensing provisions;
 - exemption of banks and insurance companies from laws requiring the immediate taxation of foreign subsidiaries of U.S. companies;
 - extension of the nonrefundable credit on the first \$2,000 of annual contributions to qualified retirement savings accounts (like 401(k) accounts); and
 - codifying of the IRS regulations regarding tax-exempt bonds issued by the Permanent University Fund.

- **Imposes a 1.45% surtax** through the end of 2010 on any amount of adjusted gross individual income (excluding estates and trusts, yet INCLUDING many businesses) above \$1 million for joint returns (\$500,000 in other cases). The amendment sponsor claims that this tax increase would offset the reported \$43 billion savings to taxpayers over five years that the rest of the amendment would yield.

- Includes the identical one-year extensions as the underlying bill (see the separate RSC document on H.R. 4297 for details) regarding:
 - Shielding certain personal tax credits from the Alternative Minimum Tax (AMT);
 - State and local sales tax deduction;

- Research tax credit;
- Higher education expenses deduction;
- Teacher classroom expenses deduction;
- Qualified Zone Academy Bonds;
- Indian reservation provisions (employment tax credit and accelerated depreciation for business property);
- Corporate computer equipment donations deduction;
- Archer Medical Savings Accounts;
- Leasehold improvements depreciation acceleration;
- Restaurant improvements depreciation acceleration;
- Oil and gas marginal wells “percentage depletion” accounting method;
- District of Columbia enterprise zone;
- American Samoa tax credits;
- Mental health parity excise tax penalty;
- Work Opportunity tax credit; and
- Welfare-to-Work tax credit.

- Includes the identical miscellaneous provisions as the underlying bill (see the separate RSC document on H.R. 4297 for details) regarding:
 - Definition of “active conduct of a trade or business” (as it relates to certain corporate distributions);
 - Veterans Mortgage Bonds;
 - Self-created musical works;
 - Vessel tonnage tax; and
 - Environmental cleanup settlement funds.
- Extends for one year a taxpayer’s option to include combat pay in gross income for purposes of the earned income tax credit.
- Extends for one year the expensing of environmental remediation costs (the underlying bill extends this for two years).
- Eliminates all AMT liability for individuals with adjusted gross incomes at or below \$200,000 for joint returns (\$100,000 in other cases) beginning in tax-year 2006.
- Reduces the AMT liability for individuals with adjusted gross incomes between \$200,000 and \$225,000 for joint returns (between \$100,000 and \$112,500 in other cases) beginning in tax-year 2006.