Preserving America's Transit and Highways Act

Summary of Provisions in the Chairman's Second Modification

1. Express the Sense of the Senate of the Need to Pass a Long-Term Transportation Funding Bill

This provision expresses the sense that the Senate should enact a long-term surface reauthorization bill to ensure the sustainability of the Highway Trust Fund and improve U.S. infrastructure. *This provision has no revenue effect*.

2. Transfer Funds and Extend Expenditure Authority for the Highway Trust Fund

The Chairman's mark transfers the net revenue raised in the Chairman's mark and modifications from the General Fund to the Highway Trust Fund, and transfers an additional $1 billion from the Leaking Underground Storage Tank ("LUST") Trust Fund to the Highway Trust Fund, and extends expenditure authority. *This provision has no revenue effect*.

3. Customs User Fees

In general, section 13031 of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") requires the Secretary of Treasury to charge and collect a fee of .3464 percent ad valorem on merchandise formally entered or released into the United States, effective through June 30, 2021. This provision extends the merchandise processing fee, as well as the .3464 percent rate, through January 7, 2024. *This provision is estimated to raise $2.9 billion over 10 years.*

4. Pension Smoothing

The Chairman's Second Modification would extend for three years the pension smoothing relief that was enacted in 2012 as a part of the MAP-21 legislation. Low interest rates – driven by the stimulus efforts of the Federal Reserve – have resulted in historically high pension plan funding obligations. This has put a significant strain on many employers in maintaining their pension plans. This extension would allow employers to continue to use historic interest rate averages to calculate their pension contributions. The provision extends the funding stabilization for three years so that the phase-out starts in 2016 instead of 2013. *This provision is estimated to raise $2.7 billion over 10 years.*

5. LUST Fund Transfer

This provision transfers $1 billion from the Leaking Underground Storage Trust Fund into the Highway Trust Fund. *This provision has no revenue effect but adds $1 billion to the Highway Trust Fund.*

6. Extend Paid Preparer EITC Due Diligence Requirements to the Child Tax Credit

The due diligence requirements currently imposed on tax return preparers with respect to the Earned Income Tax Credit are extended to include the Child Tax Credit. A tax return preparer who does not comply with the Child Tax Credit due diligence requirements must pay a penalty of $500 for each failure. *This provision is estimated to raise $43 million over 10 years.*

7. Additional Information on Returns Relating to Mortgage Interest

This provision would require information returns on mortgage interest to contain additional information including: the outstanding balance of the mortgage; the address of the encumbered property; property taxes, if any, paid from escrow; and the loan origination date. This requirement will not add any additional burden to taxpayers. The additional information is frequently provided to homeowners in various forms and is only designed to improve tax compliance. The requirements will apply to returns and statements due after December 31, 2015. *This provision is estimated to raise $2.14 billion over 10 years.*

8. Application of 6-year Statute of Limitations in Cases of Overstatement of Basis

Under current law, taxes generally are required to be assessed within three years after the date on which the taxpayer filed the return. However, if a taxpayer omits substantial income on a return (i.e., in excess of 25 percent of the amount of gross income that was stated in the return), any tax with respect to that return generally may be assessed within six years of the date on which the return was filed. The Supreme Court ruled that the six -year statute of limitations does not apply to a return on account of the taxpayer having substantially overstated the adjusted basis of property, the sale or exchange of which results in an understatement of gain.

This provision applies the 6-year statute of limitations in cases of overstatement of basis. The six-year statute of limitations would apply to a return on which the taxpayer claims an adjusted basis for any property that is more than 125 percent of the correct adjusted basis. This provision is designed to improve tax compliance by harmonizing the statute of limitations for overstatement of basis and understatement of income, which are effectively the same. *This provision is estimated to raise $1.3 billion over 10 years.*

9. Increase levy authority on payments to Medicare providers with delinquent tax debt

Under current law, the Internal Revenue Service (IRS) may impose a levy of up to 15 percent against Medicare service providers with tax delinquencies. This provision will permit the IRS to impose a levy of up to 100 percent on tax delinquent Medicare service providers. *This provision is estimated to raise $818 million over 10 years.*

10. Liquefied Natural Gas ("LNG") Excise Tax Equalization

Currently, liquefied natural gas is taxed at the same rate as diesel fuel, at 24.3 cents per gallon. However, since LNG has a lower energy content than diesel fuel, it takes more LNG to travel the same distance. This results in LNG paying 170 percent of the diesel tax rate on an energy content basis. This provision structures the federal excise tax on LNG to be based on energy content, rather than volume, creating effective energy content parity. *Staff are awaiting an estimate of the cost of this provision.*

11. Propane Excise Tax Equalization

Currently, propane is taxed at the same rate as gasoline, at 18.3 cents per gallon. However, since it has a lower energy content than gasoline, it takes more propane to travel the same distance. This results in propane paying 136 percent of the gasoline tax rate on an energy content basis. This provision structures the federal excise tax on propane to be based on energy content, rather than volume, creating effective energy content parity. *This provision is estimated to cost $22 million over 10 years.*

12. Clarify the Tax Treatment of Mutual Ditch and Irrigation Companies

Mutual ditch and irrigation companies are non-profit entities that provide water for agricultural purposes. Under current law, mutual ditch and irrigation companies are tax-exempt so long as at least 85% of their income is derived from their members. This provision would permit these companies to receive a greater percentage of non-member income, provided that the proceeds are used for the operations, maintenance and capital improvements of the irrigation and ditch systems. Second, the provision clarifies that mutual ditch and irrigation companies can continue their one-share, one-vote structure without jeopardizing their tax exempt status. *This provision is estimated to cost $37 million over 10 years.*

13. Grandfather Normal Retirement Age for Defined Benefit Pensions

To protect benefits promised to participants, the provision would grandfather private sector defined benefit pension plans with a normal retirement age of the earlier of a permissible age or at least 30 years of service as complying with the normal retirement age rules. However, for employees hired after January 1, 2017, these plans must be amended to comply with the relevant rules. *This provision has a negligible revenue effect.*

Total – $10.8 billion over 10 years