



For Immediate Release
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**BAUCUS, REID INTRODUCE PACKAGE TO RESTORE
AID FOR OUT-OF-WORK AMERICANS,
IMPROVE TAX CERTAINTY FOR FAMILIES, BUSINESSES
TO BOLSTER JOB CREATION**

*Finance legislation includes retroactive extension of emergency unemployment benefits,
COBRA health care coverage, small business loans, tax cuts, through this year*

Washington, DC – Senate Finance Committee Chairman Max Baucus (D-Mont.) and Senate Majority Leader Harry Reid (D-Nev.) today introduced legislation to extend unemployment insurance benefits and eligibility for unemployment health care benefits through the end of 2010, including extending benefits retroactively so families will receive the benefits that were suspended when these programs expired on February 28. The legislation extends loan programs for small businesses and tax cuts that provide the tax certainty families and businesses need to create jobs, along with other important safety-net programs that families and communities depend on in the tough economic climate.

“Too many hard-working Montanans and Americans lost their jobs in this recession, and even those with a paycheck are struggling to make ends meet. The tax cuts and small business assistance in this bill support the creation of new jobs across the country. This legislation extends tax cuts that businesses count on, giving employers the certainty they need to open a new store or hire a new worker. Extending these tax cuts creates the right environment for job creation,” Baucus said. **“As we work to create jobs and get our economy moving again, we also have a responsibility to provide the unemployment insurance, COBRA health benefits and other critical support services American families and communities depend on for survival. This bill ensures out-of-work Americans can meet their families’ basic needs while they are looking for a new job.”**

“We’ve taken important steps in recent weeks to strengthen the economy and create new jobs,” said Reid. **“Now, we build on that work with this bipartisan proposal that will help businesses thrive again, extend critical assistance to out-of-work Americans, extend tax relief to individuals and businesses and provide assistance to states to ensure that they can continue to provide health care to low-income families. With so many individuals and businesses facing economic uncertainty, I am hopeful that Republicans will help us pass this bill that includes many of their job creation ideas. I remain committed to ensuring that every Nevadan and every American looking for work can find a dependable job to support their families.”**

On February 28, millions of Americans and communities lost eligibility for unemployment insurance benefits when the program expired. Likewise, workers who lose their jobs beginning today are no longer eligible for the 65 percent tax credit to help them maintain health insurance provided through the Consolidated Omnibus Budget Reconciliation Act, often referred to as COBRA. The bill being introduced today, the American Workers, State and Business Relief Act, restores eligibility to receive unemployment insurance and COBRA health insurance benefits retroactively, beginning February 28, when the program expired, through December 31, 2010.

The American Workers, State and Business Relief Act also retroactively extends tax cuts for families and small businesses that expired at the end of 2009. Extending these tax cuts gives families and businesses the tax certainty they need to grow, invest and create new jobs. American businesses depend on these tax cuts when calculating their ability to pay their employees and hire new workers, and middle-class families depend on these tax cuts to plan their budgets and determine how much money they can save or invest.

Tax cuts extended in this bill include:

- A tax cut for research and development to help American businesses spur innovation and grow;
- A tax cut to allow restaurant owners to depreciate new construction and improvements and retail store owners to depreciate improvements over 15 years rather than 39.5 years, which supports construction jobs and saves these businesses money they can use to reinvest in their companies and hire new workers;
- A tax cut for small businesses that continue to pay employees who have been called to active duty, so these businesses can continue to support these jobs and hire new workers;
- A tax cut to incentivize the use of biodiesel and renewable energy, which supports energy independence and jobs in this growing industry;
- A tax cut for teachers who buy classroom supplies out of their own pockets, so they can continue to provide quality education for tomorrow's workforce;
- A tax cut to help families afford college tuition, so our young people can get the world-class education they deserve without going broke;
- A tax cut to help families make homes more energy efficient and save money on utility bills while supporting jobs in the growing energy sector;
- A tax cut to allow taxpayers to continue to deduct state sales tax on their federal tax returns, so families can continue to use the tax deductions they count on; and
- A tax cut to encourage businesses to invest in low-income communities to support jobs where they are needed the most.

The bill also retroactively extends other vital safety-net services and provides relief for pension plans that were hit hard by the economic downturn to ensure retired workers get the benefits they deserve.

The legislation prevents a reduction in the federal poverty level (FPL) from taking effect through 2010. The scheduled reduction is caused by a decrease in the average cost of goods resulting from the economic downturn. Preventing this reduction will ensure that low-income families struggling to stay afloat in this tough economy may continue to qualify for programs such as Supplemental Nutrition Assistance Program (SNAP) or food stamps, Medicaid and home heating assistance.

Likewise, the legislation allows individuals living below the poverty level to continue to disregard refundable tax credits and refunds as part of their income for twelve months after receipt. This provision ensures that families living in poverty are not penalized for receiving tax cuts by losing their eligibility for important safety-net programs.

The bill also extends the increased federal assistance for state Medicaid programs, made available through the American Recovery and Reinvestment Act, for six months. Without this additional federal support, many states would be unable to fund their Medicaid programs and families would lose the health care coverage they need.

In addition, the legislation continues funding for loan programs that provide small businesses with the capital they need to succeed and grow. The bill extends funding to reduce or eliminate fees under the Small Business Administration's 7(a) loan guarantee program and the 504 loan program through the end of this year.

And, the legislation reverses a scheduled 21 percent payment cut for doctors who provide services through Medicare and TRICARE, ensuring that America's seniors and military families will continue to have access to their physicians. The legislation also extends several other important Medicare protections, including the exceptions process for Medicare beneficiaries who exceed their cap on therapy services and provisions impacting doctors who serve rural communities.

Baucus and Reid introduced the American Workers, State and Business Relief Act as a substitute amendment to H.R. 4213, the Tax Extenders Act of 2009, today.

The American Workers, State and Business Relief Act is available on the Finance Committee website at: http://finance.senate.gov/sitepages/leg/LEG%202010/030110_Workers_State_Business_Relief_Act.pdf.

A summary of The American Workers, State and Business Relief Act and very preliminary revenue estimates follow below.

The American Workers, State, and Business Relief Act

Summary of Provisions

EXTENSION OF EXPIRING TAX PROVISIONS

ENERGY PROVISIONS

Heavy Hybrid Credit. The bill extends for one year, through 2010, the alternative motor vehicle credit for so-called heavy hybrids (i.e., hybrid motor vehicles that are not passenger automobiles or light trucks). *This proposal is estimated to cost \$8 million over ten years.*

Extension of Tax Incentives for Biodiesel and Renewable Diesel. The bill extends for one year, through 2010, the \$1.00 per gallon tax credit for biodiesel, as well as the small agri-biodiesel producer credit of 10 cents per gallon. The bill also extends through 2010 the \$1.00 per gallon tax credit for diesel fuel created from biomass. *This proposal is estimated to cost \$1.008 billion over ten years.*

Biomass Facilities. The bill extends for one year, through 2010, the credit period for electricity produced at open-loop biomass facilities placed in service before October 22, 2004. *This proposal is estimated to cost \$105 million over ten years.*

Refined Coal. The bill extends for one year, through 2010, the placed-in-service deadline for qualifying refined coal facilities. *This proposal is estimated to cost \$63 million over ten years.*

Steel Industry Fuel. The bill extends for one year, through 2010, the placed-in-service deadline for qualifying steel industry fuel facilities. *The cost of this proposal is included in the estimate for refined coal, above.*

Small Business Refiners. The bill extends for one year, through 2010, two provisions that assist small business refiners in complying with EPA sulfur regulations. The first is a deduction of up to 75 percent of the costs related to compliance with EPA's Highway Diesel Fuel Sulfur Control requirement. The second is a credit of 5 cents for each gallon of low sulfur diesel fuel produced during the taxable year. *This proposal is estimated to cost \$20 million over ten years.*

Credit for Producing Fuel from Coke or Coke Gas. The bill extends for one year, through 2010, the placed-in-service date for qualified facilities producing coke or coke gas, byproducts of the coal refining process that are used to make fuel. *This proposal is estimated to cost \$21 million over ten years.*

Extension of Credit for Energy-Efficiency Improvements to New Homes. The bill extends for one year, through 2010, the credit for the construction of energy-efficient new homes that achieve a 30% or 50% reduction in heating and cooling energy consumption relative to a comparable dwelling constructed per the standards of the 2003 International Energy Conservation Code (including supplements). *This proposal is estimated to cost \$66 million over ten years.*

Extension and Modification of Alternative Fuels Credit. The bill extends for one year, through 2010, the alternative fuel excise tax credit for all fuels except hydrogen (which maintains its current-law expiration date of September 30, 2014). Beginning January 1, 2010, the proposal modifies the definition of alternative fuel to exclude any fuel (including lignin, wood residues, or spent pulping liquors) derived from the production of paper or pulp. Thus, such fuel would no longer qualify for the alternative fuel credit, alternative fuel mixture credit, and related payment provisions. *This proposal is estimated to cost \$196 million over ten years.*

Temporary Rule for Sales or Dispositions to Implement FERC or State Electric Restructuring Policy for Qualified Electric Utilities. The bill extends for one year, for sales prior to January 1, 2011, the present law deferral of gain on sales of transmission property by vertically integrated electric utilities to FERC-approved independent transmission companies. Rather than recognizing the full amount of gain in the year of sale, this provision would allow gain on such sales to be recognized ratably over an eight-year period. *This proposal is revenue neutral over ten years.*

INDIVIDUAL PROVISIONS

Teacher Expense Deduction. The bill extends for one year, through 2010, the provision allowing teachers an above-the-line deduction for up to \$250 for educational expenses. The proposal is effective for taxable years beginning after December 31, 2009. *This proposal is estimated to cost \$215 million over ten years.*

Additional Standard Deduction for Real Property Taxes. The bill extends for one year, through 2010, the real property tax standard deduction which is capped at the lesser of the amount of State and local and foreign real property taxes paid, or \$500 (\$1,000 in the case of a joint return). The proposal is effective on the date of enactment. *This proposal is estimated to cost \$1.551 billion over ten years.*

Deduction of State and Local General Sales Taxes. The American Jobs Creation Act (AJCA) provided that a taxpayer may elect to take an itemized deduction for state and local general sales taxes in lieu of the itemized deduction for state and local income taxes. The proposal extends the provision to the end of 2010. The proposal is effective for tax years beginning after December 31, 2009. *This proposal is estimated to cost \$1.800 billion over ten years.*

Extension of Provision Encouraging Contributions of Capital Gain Real Property for Conservation Purposes. The bill extends for one year, through 2010, the increased contribution limits and carry-forward period for contributions of appreciated real property (including partial interests in real property) for conservation purposes. *This proposal is estimated to cost \$190 million over ten years.*

Qualified Tuition Deduction. The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) created an above-the-line tax deduction for qualified higher education expenses. The maximum deduction was \$4,000 for taxpayers with AGI of \$65,000 or less (\$130,000 for joint returns) or \$2,000 for taxpayers with AGI of \$80,000 or less (\$160,000 for joint returns). The proposal extends the deduction to the end of 2010. *This proposal is estimated to cost \$1.501 billion over ten years.*

Extension of Tax-Free Distributions from Individual Retirement Plans for Charitable Purposes. The bill extends for one year, through 2010, the provision that permits tax-free distributions to a charity from an Individual Retirement Account (IRA) of up to \$100,000 per taxpayer, per taxable year. *This proposal is estimated to cost \$627 million over ten years.*

Estate Tax Look-Through for Certain Regulated Investment Company (RIC) Stock held by Nonresidents. Although stock issued by a domestic corporation is generally treated as property within the United States, stock of a RIC that was owned by a nonresident non-citizen is not deemed property within the United States in the proportion that, at the end of the quarter of the RIC's taxable year immediately before a decedent's date of death, the assets held by the RIC are debt obligations, deposits, or other property that would be treated as situated outside the United States if held directly by the estate (the "estate tax look-through rule for RIC stock"). This estate tax look-through rule for RIC stock does not apply to estates of decedents dying after December 31, 2009. The proposal permits the estate tax look-through rule for RIC stock to apply to estates of decedents dying before January 1, 2011. The proposal is effective for decedents dying after December 31, 2009. *This proposal has a negligible revenue effect.*

Election for Refundable Low-Income Housing Credit for 2010. The bill extends for one year, through 2010, the program that was enacted as part of the American Recovery and Reinvestment Act of 2009 that allows state housing agencies to elect to receive a payment in lieu of a portion of the State's allocation of low-income housing tax credits. *This proposal is estimated to raise \$11 million over ten years.*

BUSINESS PROVISIONS

Research and Development Credit. The bill extends for one year, through 2010, the research tax credit equal to 20 percent of the amount by which a taxpayer's qualified research expenses for a taxable year exceed its base amount for that year and provides an alternative simplified credit of 14 percent. The proposal is effective for amounts paid or incurred after December 31, 2009. *This proposal is estimated to cost \$6.650 billion over ten years.*

Indian Employment Credit. This provision allows a business tax credit for employers of qualified employees that work and live on or near an Indian reservation. The credit is for wages and health insurance costs paid to qualified employees (up to \$20,000) in the current year over the amount paid in 1993. Wages for which the Work Opportunity Tax Credit is available are not qualified wages for purposes of the Indian employment tax credit. The proposal extends the provision to the end of 2010. The proposal is effective for taxable years beginning after December 31, 2009. *This proposal is estimated to cost \$48 million over ten years.*

New Markets Tax Credit. Under current law, new markets tax credits are available on a competitive basis to qualified community development entities investing in low-income census tracts. In 2009, \$5 billion was available under the program. This proposal would extend the program for one year, providing \$5 billion in new markets tax credit authority. The proposal is effective for calendar years after the date of enactment. *This proposal is estimated to cost \$1.401 billion over ten years.*

Expenditures for Maintaining Railroad Tracks. The bill extends for one year, through 2010, the railroad maintenance credit which provides Class II and Class III railroads (generally, short-line and regional railroads) with a tax credit equal to 50 percent of gross expenditures for maintaining railroad tracks that they own or lease. This credit is allowable against the AMT. This provision is effective for expenses paid or incurred in taxable years beginning after December 31, 2009. *This proposal is estimated to cost \$165 million over ten years.*

Mine Rescue Team Training Credit. The bill extends for one year, through 2010, a credit of up to \$10,000 for the training of mine rescue team members. This provision is effective for taxable years beginning after December 31, 2009. *This proposal is estimated to cost \$1 million over ten years.*

Employer Wage Credit for Activated Military Reservists. The bill extends for one year, through 2010, the provision that provides eligible small business employers with a credit against income tax liability for a taxable year in an amount equal to 20 percent of the sum of differential wage payments to activated military reservists, up to \$4,000. This provision is effective for payments made after December 31, 2009. *This proposal is estimated to cost \$4 million over ten years.*

Certain Farming Business Machinery and Equipment Treated as 5-year Property. The bill extends for one year, through 2010, the five year recovery period for any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) which is used in a farming business, the original use of which commences with the taxpayer, and is placed in service before January 1, 2011. For these purposes, the term “farming business” means a trade or business involving the cultivation of land or the raising or harvesting of any agricultural or horticultural commodity. This provision is effective for property placed in service after December 31, 2009. *This proposal is expected to be revenue neutral.*

15-Year Straight-Line Cost Recovery for Qualified Leasehold, Restaurant, and Retail Improvements. The bill extends for one year, through 2010, the temporary 15-year cost recovery period for certain leasehold, restaurant, and retail improvements, and new restaurant buildings, which are placed in service before January 1, 2011. The extension is effective for qualified property placed in service after December 31, 2009. *This proposal is estimated to cost \$4.851 billion over ten years.*

7-Year Recovery Period for Certain Motorsports Racetrack Property. The bill extends for one year, through 2010, the temporary 7-year cost recovery period for property used for land improvement and support facilities at motorsports entertainment complexes. This provision is effective for property placed in service after December 31, 2009. *This proposal is estimated to cost \$38 million over ten years.*

Accelerated Depreciation for Business Property on Indian Reservation. The bill extends for one year, through 2010, a temporary depreciation recovery period for qualified Indian reservation property which is placed in service before January 1, 2011. In general, qualified Indian reservation property is property used predominantly in the active conduct of a trade or business within an Indian reservation, which is not used outside the reservation on a regular basis and was not acquired from a related person. This provision is effective for property placed in service after December 31, 2009. *This proposal is estimated to cost \$123 million over ten years.*

Enhanced Charitable Deduction for Food Inventory. The bill extends for one year, through 2010, the provision allowing businesses to claim an enhanced deduction for the contribution of food inventory. *This proposal is estimated to cost \$78 million over ten years.*

Enhanced Charitable Deduction for Contributions of Book Inventory to Schools. The bill extends for one year, through 2010, a provision that allows C corporations an enhanced charitable deduction for donations of books to schools, public libraries and literacy programs. The proposal is effective for contributions made after December 31, 2009. *This proposal is estimated to cost \$31 million over ten years.*

Enhanced Charitable Deduction for Qualified Computer Contributions. The bill extends for one year, through 2010, a provision that encourages businesses to contribute computer equipment and software to elementary, secondary, and post-secondary schools by allowing an enhanced deduction for such contributions. The proposal is effective for contributions made during taxable years beginning after December 31, 2009. *This proposal is estimated to cost \$195 million over ten years.*

Election to Expense Advanced Mine Safety Equipment. The bill extends for one year, through 2010, the provision that allows a 50 percent immediate expensing for the following advanced underground mine safety equipment: (1) communications technology enabling miners to remain in constant contact with individuals above ground; (2) electronic tracking devices that enable individuals above ground to locate miners in the mine at all times; (3) self-rescue emergency breathing apparatuses carried by the miners and additional oxygen supplies stored in the mine; and (4) mine atmospheric monitoring equipment to measure levels of carbon monoxide, methane, and oxygen in the mine. This provision shall apply to property placed in service after December 31, 2009. *This proposal is estimated to cost \$2 million over ten years.*

Temporary Expensing Rules for Certain Film and Television Productions. The bill extends for one year, through 2010, a provision that allows an owner to elect to expense up to \$15 million of any qualified film or television production costs. The maximum deduction is increased to \$20 million if the costs are significantly incurred in specific, economically distressed areas. No other depreciation or amortization is allowed for production costs where this deduction is taken. A qualified film or television production is one in which at least 75 percent of the total compensation spent on the production is for services performed in the United States by actors, production personnel, directors, and producers. The proposal is effective for productions commencing after December 31, 2009. *This proposal is estimated to cost \$46 million over ten years.*

Expensing of Environmental Remediation Costs. The bill extends for one year, through 2010, a provision allowing for the expensing of costs associated with cleaning up contaminated sites. The proposal is effective for property placed in service after December 31, 2009. *This proposal is estimated to cost \$158 million over ten years.*

Deduction Allowable with Respect to Income Attributable to Domestic Production Activities in Puerto Rico. The bill extends for one year, through 2010, a provision allowing a section 199 domestic production activities deduction for activities in Puerto Rico. The proposal is effective for tax years beginning after December 31, 2009. *This proposal is estimated to cost \$185 million over ten years.*

Modification of Tax Treatment of Certain Payments to Controlling Exempt Organizations. In general, interest, rent, royalties, and annuities paid to a tax-exempt organization from a controlled entity are treated as unrelated business income of the tax-exempt organization. The Pension Protection Act (PPA) provided that if a payment to a tax-exempt organization by a controlled entity is less than fair market value, then the payment is excludable from the tax-exempt organization's unrelated business income. The proposal extends the provision to the end of 2010. The proposal is effective for payments received or accrued after December 31, 2009. *This proposal is estimated to cost \$20 million over ten years.*

Extension of Exclusion of Gain on the Sale or Exchange of Certain Brownfield sites from Unrelated Business Taxable Income. The bill extends for one year, through 2010, the provision that excludes any gain or loss from the qualified sale, exchange, or other disposition of any qualified brownfield property from unrelated business taxable income. A brownfield site refers to a category of redevelopment sites where hazardous substances, pollutants, or contaminants are or may be present. *This proposal is estimated to cost \$54 million over ten years.*

Taxation of Qualified Timber Gain and Timber REIT Provisions. Under current law, gains on timber sales are eligible for capital gains tax treatment. The bill provides an extension of a provision included in the Farm Bill of 2008 that created an alternative maximum tax rate of 15 percent for gain on qualified timber harvest by a C corporation. Qualified timber gain is gain from the sale or exchange of timber held for at least 15 years. In addition, the bill extends other Farm Bill provisions intended to modernize the taxation of timber real estate investment trusts (REITs) including: (1) clarifying that gains from the sale of timber held for less than one year is qualifying income; (2) providing that mineral royalty income is qualifying income; and (3) making changes to the safe harbors for timber property sales. *This proposal is estimated to cost \$261 million over ten years.*

Treatment of Certain Dividends of Regulated Investment Companies (RICs). The bill extends a provision allowing a RIC, under certain circumstances, to designate all or a portion of a dividend as an "interest-related dividend," by written notice mailed to its shareholders not later than 60 days after the close of its taxable year. In addition, an interest-related dividend received by a foreign person generally is exempt from U.S. gross-basis tax under sections 871(a), 881, 1441 and 1442 of the Code. The proposal extends the treatment of interest-related dividends and short-term capital gain dividends received from a RIC to taxable years of the RIC beginning before January 1, 2011. The proposal is effective for dividends with respect to taxable years of RICs beginning after December 31, 2009. *This proposal is estimated to cost \$84 million over ten years.*

Extend the Treatment of Regulated Investment Companies (RICs) as "Qualified Investment Entities". The bill extends for one year, through 2010, the inclusion of a RIC within the definition of a "qualified investment entity" under section 897 of the Code for those situations in which that inclusion otherwise expired at the end of 2009. The proposal is effective on January 1, 2010. *This proposal is estimated to cost \$10 million over ten years.*

Exception under Subpart F for Active Financing Income. The U.S. parent of a foreign subsidiary engaged in a banking, financing, or similar business is eligible for deferral of tax on such subsidiary's earnings if the subsidiary is predominantly engaged in such business and conducts substantial activity with respect to such business. The subsidiary must pass an entity level income test to demonstrate that the income is active income and not passive income. The proposal extends the provision to the end of 2010. The proposal is effective for tax years beginning after December 31, 2009. *This proposal is estimated to cost \$3.923 billion over ten years.*

Look-Through Treatment of Payments between Related CFCs under the Foreign Personal Holding Company Rules. The bill allows deferral for certain payments (interest, dividends, rents and royalties) between commonly controlled foreign corporations (CFC). This provision allows U.S. taxpayers to deploy capital from one CFC to another without triggering U.S. tax. The proposal extends present law to the end of 2010. The proposal is effective for tax years beginning after December 31, 2009. *This proposal is estimated to cost \$574 million over ten years.*

Basis Adjustment to Stock of an S Corporation Making Charitable Contributions of Property. Prior to the Pension Protection Act, if an S corporation made a contribution to a charity, shareholders reduced the basis in their stock by their pro rata share of the fair market value of the contribution. The PPA provided the amount of a shareholder's basis reduction in the S corporation stock will equal the shareholder's pro rata share of the adjusted basis of the contributed property. The proposal extends the provision through December 31, 2010 and is applicable to contributions made in taxable years beginning after December 31, 2009. *This proposal is estimated to cost \$39 million over ten years.*

Extension of Tax Incentives for Empowerment Zones. The bill extends for one year, through 2010, the designation of certain economically depressed census tracts as Empowerment Zones. Businesses and individual residents within Empowerment Zones are eligible for temporary tax incentives. *This proposal is estimated to cost \$304 million over ten years.*

Tax Incentives for Investments in the District of Columbia. The bill provides for the designation of certain economically depressed census tracts within the District of Columbia as the D.C. Enterprise Zone. Businesses and individual residents within this enterprise zone are eligible for temporary tax incentives. First time home buyers receive a \$5,000 credit for D.C. The bill extends the provision through the end of 2010. The proposal is effective for tax years beginning after December 31, 2009. *This proposal is estimated to cost \$101 million over ten years.*

Extension of Tax Incentives for Renewal Communities. The bill extends for one year, through 2010, the designation of certain economically depressed census tracts as Renewal Communities. Businesses and individual residents within Renewal Communities are eligible for temporary tax incentives. *This proposal is estimated to cost \$675 million over ten years.*

Extension of Temporary Increase in Limit on Cover-over of Rum Excise Tax Revenues to Puerto Rico and the Virgin Islands. The bill extends for one year, through 2010, the provision providing for payment of \$13.25 per gallon to cover over a \$13.50 per proof gallon excise tax on distilled spirits produced in or imported into the United States. *This proposal is estimated to cost \$128 million over ten years.*

American Samoa Economic Development Credit. Certain domestic corporations operating in American Samoa are eligible for a possessions tax credit, which offsets their U.S. tax liability on income earned in American Samoa from active business operations, sales of assets used in a business, or certain investments in American Samoa. Further, the credit is held to an economic activity-based limit, measuring the credit against wages, depreciation, and American Samoa income taxes. The proposal extends the provision to the end of 2010. The proposal is effective for tax years beginning after December 31, 2009. *This proposal is estimated to cost \$18 million over ten years.*

Percentage Depletion for Marginal Wells. The bill extends for one year, through 2010, the suspension on the taxable income limit for purposes of depreciating a marginal oil or gas well. *This proposal is estimated to cost \$103 million over ten years*

DISASTER RELIEF PROVISIONS

Extension of Relaxed Mortgage Revenue Bond Limitations for Federal Disasters. The bill extends for one year, through 2010, the provision that allows states to waive certain rules that limit their ability to use tax-exempt housing bonds to provide loans to taxpayers who wish to acquire residences in Federally-declared disaster areas. The bill also extends through December 31, 2010 the provision that allows states to use their tax-exempt housing bonds to provide loans to repair or reconstruct homes and rental housing units that have been rendered unsafe as a residence due to a Federally-declared disaster, or have been demolished or relocated by reason of government order on account of a Federally-declared disaster. Such loans are limited to the lower of (1) the actual cost of the repair or reconstruction or (2) \$150,000. *This proposal is estimated to cost \$21 million over ten years.*

Extension of Expanded and Enhanced Casualty Loss Deductions Relating to Federal Disasters. The bill extends for one year, through 2010, the provision that allows taxpayers who have suffered loss as a result of a Federally-declared disaster to claim a deduction for casualty losses (i.e., both itemizers and non-itemizers) and allows these taxpayers to calculate their casualty loss deduction without regard to adjusted gross income. The bill also extends, through December 31, 2010, the current law \$500 per loss threshold. *This proposal is estimated to cost \$728 million over ten years.*

Extension of Bonus Depreciation for Qualified Disaster Property. The bill extends for one year, through 2010, the provision that permits businesses that suffered damage as a result of a Federally-declared disaster to claim an additional first-year depreciation deduction equal to 50 percent of the cost of new real and personal property investments made in the Federally -declared disaster area. *This proposal is estimated to cost \$1.457 billion over ten years.*

Extension of Five-Year Carry-Back Period for Certain Losses Relating to Federal Disasters. The bill extends for one year, through 2010, the provision that allows businesses to carry back to the previous five years the following losses: (1) casualty losses that are attributable to a Federally-declared disaster; and (2) Qualified Disaster Expenses. *This proposal is estimated to cost \$120 million over ten years.*

Extension of Expensing of Qualified Disaster Expenses. The bill extends for one year, through 2010, the provision that allows businesses that have been affected by a Federally-declared disaster to currently expense demolition, repair, clean-up, and environmental remediation expenses (“Qualified Disaster Expenses”). In addition, the bill extends for one year, through 2010, the expensing provision for small businesses that increases by \$100,000 (or the cost of qualified property, whichever is less) the amount of expensing available for qualifying expenditures made in a Federally-declared disaster area and increases by \$600,000 (or the cost of qualified property, whichever is less) the level of investment at which the small business expensing benefits phase-out. *This proposal is estimated to cost \$31 million over ten years.*

Extension of Tax Incentives for the New York Liberty Zone. The bill would extend for one year, through 2010, the temporary depreciation allowance for certain real property within the New York Liberty Zone and the time for issuing New York Liberty Zone bonds. *This proposal is estimated to cost \$152 million over ten years.*

Temporary Depreciation Allowance for Gulf Opportunity Zone Property. The bill would extend for one year, through 2010, an additional depreciation deduction claimed by businesses equal to 50 percent of the cost of new property investments made in the Gulf Opportunity Zone. The provision applies to property placed in service through December 31, 2010. *This proposal is estimated to cost \$114 million over ten years.*

Extension of Increased Rehabilitation Credit for Historic Structures in the Gulf Opportunity Zone. The bill would extend for one year, through 2010, the increased rehabilitation credit for qualified expenditures in the Gulf Opportunity Zone. The Gulf Opportunity Zone Act of 2005 increased the rehabilitation credit from 10 percent to 13 percent of qualified expenditures for any qualified rehabilitated building other than a certified historic structure, and from 20 percent to 26 percent of qualified expenditures for any certified historic structure. *This proposal is estimated to cost \$15 million over ten years.*

Extend Work Opportunity Tax Credit (WOTC) for Hurricane Katrina Employees. This proposal would extend for one year, through August 28, 2010, the work opportunity tax credit for certain employers hiring in the Hurricane Katrina core disaster area. *This proposal is estimated to cost \$7 million over 10 years.*

Temporary Rules for Use of Retirement Fund Distributions and Loans in Midwestern Disaster Areas.

This proposal extends for one year (from January 1, 2010 through December 31, 2010) the provision enacted in the Emergency Economic Stabilization Act (EESA) that waived the 10 percent penalty tax for certain distributions from an individual retirement accounts or tax-favored retirement plans (e.g., Code sections 401(k), 403(b), or 457(b) plans). The penalty tax is waived if the distribution is made on or after the Federally-declared disaster date and before January 1, 2011 and is made to an individual whose principal residence on the applicable declaration date was located in a Midwestern disaster area and who sustained an economic loss by reason of the disaster. In addition, this proposal extends for one year (from January 1, 2010 through December 31, 2010) the provision enacted in the EESA that effectively doubles the limitation on loans from a 401(k), 403(b), or a governmental 457(b) plan by allowing participants located in a Midwestern disaster area who sustained economic loss by reason of the disaster. Finally, for loans made after December 31, 2009 and before January 1, 2011, outstanding loan payments due on or after the applicable declaration date and before January 1, 2011 may be deferred an additional 12 months. *This proposal is estimated to cost \$27 million over ten years.*

Cancellations of Indebtedness Related to a Midwestern Disaster. Under current law, gross income generally includes any amount realized from the discharge of indebtedness. This proposal extends for one year (from January 1, 2010 through December 31, 2010) the provision enacted in the Emergency Economic Stabilization Act that ensures that individuals are not taxed on personal debt that is discharged in response to damage suffered from the Midwestern disaster. For example, if a house is damaged or destroyed and the mortgage lender discharges all or part of this mortgage debt, the amount discharged is not treated as income as a result of the proposal. *This proposal is estimated to cost \$2 million over ten years.*

UNEMPLOYMENT INSURANCE AND COBRA EXTENSIONS

Unemployment Insurance Extension. Certain unemployment insurance benefits expired on February 28, 2010. Prior to expiration, an unemployed worker could receive up to 26 weeks of unemployment benefits provided by the state in which they were employed. After the state-provided benefits were exhausted, the worker could qualify for 34 more weeks of benefits provided by the federal government. If that person was unemployed in a state with an unemployment rate above 6 percent, they qualified for an additional 13 weeks of benefits also provided by the federal government. Unemployed workers in states with an unemployment level over 8.5 percent qualified for an additional six weeks of benefits also provided by the federal government. In addition, the federal government paid 100 percent of the cost of state Extended Benefits programs which provided up to 13 additional weeks of benefits for unemployed workers who had exhausted regular state benefits or Emergency Unemployment Compensation. Last year's economic recovery bill increased weekly unemployment benefits by an additional \$25 per week. This proposal extends these provisions, including increased unemployment benefits, retroactively to March 1, 2010 through December 31, 2010. *This proposal is estimated to cost \$70 billion over ten years.*

Extension of COBRA Premium Assistance. This proposal extends the 65-percent COBRA continuation coverage subsidy for terminated workers through December 31, 2010 and also includes technical clarifications to the program. The subsidy was originally enacted as part of the American Recovery and Reinvestment Act (ARRA) and was expanded later in 2009. *The proposal is estimated to cost \$11.1 billion over ten years.*

HEALTH CARE PROVISIONS

Extension of Exceptions Process for Medicare Therapy Caps. This provision extends the therapy caps exception process through December 31, 2010. Current law places annual per beneficiary payment limits for all outpatient therapy services provided by non-hospital providers. The Secretary was required to implement an exceptions process for cases in which the provision of additional therapy services was determined to be medically necessary and this process expired on December 31, 2009. *This proposal is estimated to cost approximately \$400 million over ten years.*

Accreditation Exemption for Certain Pharmacies that Furnish Durable Medical Equipment. Under current law, suppliers of durable medical equipment, prosthetics, orthotics, and other supplies (DMEPOS) must prove their compliance with quality standards by being accredited. Certain eligible professionals are specifically exempted from the accreditation requirement. The provision makes pharmacies eligible for an exemption from the accreditation requirements under certain circumstances. *This proposal does not score.*

Extension of Physician Fee Schedule Mental Health Add-On. This provision extends the 5 percent increase in payments for certain Medicare mental health services through December 31, 2010. *This proposal does not score.*

Extension of Ambulance Add-On. This provision extends the increased Medicare rates for ambulance services, including in super rural areas, through December 31, 2010. *This proposal is estimated to cost approximately \$100 million over ten years.*

Extension of the 1.0 Floor on the Work Geographic Practice Cost Index (GPCI). This provision extends the existing 1.0 floor on the work geographic adjustment through December 31, 2010. *This proposal is estimated to cost approximately \$600 million over ten years.*

Extension of Payments for the Technical Component of Certain Physician Pathology Services. This provision extends the ability of independent laboratories to receive direct payments for the technical component for certain pathology services through December 31, 2010. *This proposal is estimated to cost approximately \$100 million over ten years.*

Outpatient Hospital Hold Harmless. This provision extends the existing hospital outpatient hold harmless provision for small rural hospitals through December 31, 2010 and also allows Sole Community Hospitals with over 100 beds to qualify. *This proposal does not score.*

Electronic Health Record Clarification. This provision clarifies the health information technology provision in current law that allows non-hospital-based physicians and other health professionals who bill Medicare and Medicaid through a hospital to receive electronic health record incentives. *This proposal does not score.*

Extension of Direct Billing for Indian Health Service Providers. This provision extends the authorization for Indian Health Service providers to be directly reimbursed by Medicare Part B through December 31, 2010. *This proposal does not score.*

Extension of Certain Payment Rules for Long-Term Care Hospital Services and of Moratorium on the Establishment of Certain Hospitals and Facilities. This provision extends Sections 114 (c) and (d) of the Medicare, Medicaid and SCHIP Extension Act of 2007 by one year. *This proposal is estimated to cost \$100 million over ten years.*

Extension of the Medicare Rural Hospital Flexibility Program. This provision extends the authorization for the Flex Grant program through FY2011. *This proposal does not score.*

Section 508 Hospital Wage Index Program. This provision extends hospital reclassifications under section 508 of the Medicare Modernization Act (P.L 108-173) through the end of FY2010. *This proposal is estimated to cost \$200 million over ten years.*

Technical Correction Related to Critical Access Hospitals (CAHs). This provision makes a technical correction to clarify that CAHs are eligible to receive 101 percent of reasonable costs for providing outpatient care regardless of eligible billing method the facility uses and for providing qualifying ambulance services. *This proposal does not score.*

Medicare Advantage Changes. This provision extends the authority of certain types of private plans to offer coverage under Medicare Advantage for one year, (to 2011). Those plan types are special needs plans, cost plans, and senior housing programs. The bill also includes a technical fix for existing employer-sponsored private fee-for-service plans and provides \$20 million in added funds for State Health Insurance Assistance Programs and similar organizations that assist beneficiaries with Medicare benefits. *These proposals are estimated to cost \$800 million over ten years.*

Family to Family Centers. This provision extends funding for the development and support of Family to Family Health Information Centers through FY 2011, which helps families of children with disabilities or special health care needs make informed decisions about health care. The policy was first authorized in the Deficit Reduction Act of 2005. *This proposal is estimated to cost \$5 million over ten years.*

Implementation Funding. This provision appropriates funding to the Secretary of HHS from amounts in the general fund of the Treasury to implement provisions in this title. *This proposal is estimated to cost \$100 million over ten years.*

Extension of Federal Assistance to States. The bill would extend for six months the increased federal medical assistance percentage (FMAP) made available to states in the American Recovery and Reinvestment Act of 2009 (ARRA). This extension will provide states additional funding through June 30, 2011. *This proposal is estimated to cost \$25 billion over ten years.*

Extension of Gainsharing Demonstration. The Deficit Reduction Act of 2005 authorized a demonstration to evaluate arrangements between hospitals and physicians designed to improve the quality and efficiency of care provided to beneficiaries. This provision would extend the demonstration through September 30, 2011 and extend the date for the final report to Congress on the demonstration to September 30, 2012. *This proposal does not score.*

OTHER PROVISIONS

Extension of 2009 Federal Poverty Guidelines. The bill would keep the 2009 Federal poverty guidelines in place for 2010 to avoid a reduction in eligibility for poverty-based programs. A reduction would otherwise occur because of the decrease in the average cost of goods that results from the economic downturn. This provision will allow all currently eligible individuals to remain eligible for poverty-based programs. *This proposal is estimated to cost \$400 million over ten years.*

Refund and Tax Credit Disregard for Means Tested Programs. Current law ensures that the refundable components of the EITC and the Child Tax Credit do not make households ineligible for means-tested benefit programs and includes provisions stating that these tax credits do not count as income in determining eligibility (and benefit levels) in means-tested benefit programs, and also do not count as assets for specified periods of time. Without them, the receipt of a tax credit would put a substantial number of families over the income limits for these programs in the month that the tax refund is received. The proposal would disregard all refundable tax credits and refunds as income, for twelve months from receipt, for means tested programs through December 31, 2010. This provision conforms with current law under the Supplemental Nutrition Assistance Program. *This proposal is estimated to cost less than \$50 million over ten years.*

Court Improvement Programs. This provision extends funding for court improvement and handling of court proceedings relating to foster care and adoption programs through FY 2011, originally authorized in the Deficit Reduction Act of 2005. *This proposal is estimated to cost \$20 million over ten years.*

Extension of the National Flood Insurance Program. In 1968, the U.S. Congress established the National Flood Insurance Program (NFIP) to address the nation's flood exposure and challenges inherent in financing and managing flood risks in the private sector. NFIP was created to: (1) identify areas across the nation most at risk of flooding; (2) minimize the economic impact of flooding events through floodplain management ordinances; and (3) provide flood insurance to individuals and businesses. After several short term extensions, the program expired February 28, 2010. As of October 2009, there were over 5.5 million active policies nationwide. *This proposal is estimated to be cost neutral.*

Emergency Disaster Assistance. This provision provides \$1.98 billion in assistance for crop, cottonseed, aquaculture, poultry, grazing, and specialty crop losses in 2009. *This proposal is estimated to cost \$1.98 billion.*

SBA Lending Programs. The Recovery Act provided \$375 million to increase guarantees on 7(a) loans from 75% to 90% and eliminated fees charged to borrowers on 7(a) and 504 loans to small businesses. These funds were used to provide loans to more than 40,000 small businesses, providing more than \$16 billion in loans. The Recovery Act funding was exhausted in November and the Defense Appropriations Bill provided an additional \$125 million to fund the increased guarantee and fee elimination through February. The \$354 million in this legislation will provide funding through the end of the fiscal year and extend the authorization through December 31, 2010. The Small Business Administration estimates that the extension of Recovery Act funding will support \$18.5 billion in 504 and 7(a) loans to small businesses. *This proposal is estimated to cost \$354 million over ten years.*

PENSION FUNDING RELIEF

This provision provides temporary, targeted funding relief for single employer and multiemployer pension plans that suffered significant losses in asset value due to the steep market slide in 2008. *This proposal is estimated to raise approximately \$5.3 billion over ten years.*

OFFSETS

Cellulosic Biofuels Loophole. This provision modifies the \$1.01 per gallon cellulosic biofuel producer credit to exclude fuels with significant water, sediment, or ash content, such as black liquor. The provision excludes from the definition of cellulosic biofuel any fuels that (1) are more than four percent (according to weight) water and sediment in any combination, or (2) have an ash content of more than one percent (according to weight). The provision is effective for fuel sold or used after date of enactment. *This proposal is estimated to raise \$23.9 billion over ten years.*

Increased Reporting Requirements for Homebuyer Credit. The bill tightens the anti-fraud provisions included as part of the homebuyer credit passed into law on November 6, 2009. Specifically, the legislation clarifies that the changes made apply to home purchases on or after the date of its enactment. It also clarifies what documentation is necessary for the Internal Revenue Service to properly certify that taxpayers meet the long-time resident requirements and binding contract requirements of the tax credit. *This proposal is has a negligible revenue impact.*

Clarification of the Economic Substance Doctrine and Penalty for Underpayments Attributable to Transactions Lacking Economic Substance. This provision clarifies the application of the economic substance doctrine which has been used by courts to deny tax benefits for transactions lacking economic substance. The provision also imposes a 40% strict liability penalty on underpayments attributable to a transaction lacking economic substance (unless the transaction was disclosed, in which case the penalty is 20%). This proposal is effective for transactions entered into after the date of enactment. *The proposal is estimated to raise \$5.5 billion over ten years.*

Reduction in the Medicare Improvement Fund. The Medicare Improvement Fund (MIF) contains funds that are available to the Secretary to make improvements to the original fee-for-service program under Parts A and B of Medicare. Under current law, approximately \$20 billion is available for services furnished during FY2014. The provision reduces the funding available in the MIF by \$8 billion. *This proposal is estimated to save \$8 billion over ten years.*

SATELLITE TELEVISION EXTENSION

This title reauthorizes the compulsory copyright to satellite-TV providers, giving them the ability to carry broadcasters' content in their programming. *This proposal does not score.*

SUSTAINABLE GROWTH RATE (SGR) EXTENSION

As of March 1, 2010, the sustainable growth rate update formula will require a 21 percent reduction in physician payments. The provision delays this payment reduction by 7 months. *This proposal is estimated to cost \$7.3 billion over ten years.*