



**Legislative Bulletin.....December 3, 2014**

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**H.R. 5771 — Tax Increase Prevention Act of 2014 (Camp, R-MI)**

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**Order of Business:** [H.R. 5771](#) is expected to be considered on December 3, 2014, under a closed [rule](#).

The rule would incorporate a [manager’s amendment](#) that includes an additional extension of a credit for an alternative fuel refueling property and strikes a section of the underlying bill that would have removed a deadwood provision of the tax code.

The rule also provides a [closed rule](#) for H.R. 647, the ABLE Act of 2014.

The rule provides that, in the engrossment of H.R. 5771, the Clerk add the text of H.R. 647 (the ABLE Act) as passed by the House as new matter at the end of H.R. 5771. This means that the legislation taken up by the Senate will consist of a combined extenders bill and ABLE Act.

**Topline:** Over 50 tax provisions were allowed to expire at the end of 2013 or during 2014. H.R. 5771 would generally extend those expired provisions retroactively for tax year 2014. Businesses and families are counting on many of these provisions being extended retroactively for 2014 because Congress has done so many times in the past.

**Summary:** The summary below includes major provisions of H.R. 5771. A [detailed section-by-section summary](#) has been provided by the Committee on Ways and Means.

Major Individual Provisions

**Exclusion From Gross Income Of Discharge Of Qualified Principal Residence**

**Indebtedness:** Extends through 2014 [a provision](#) that allows individuals to exclude from gross income canceled debt from a qualified principle residence. This provision would reduce revenues by \$3.143 billion over the 2015-2024 period.

**Deduction Of State And Local General Sales Taxes:** Extends through 2014 [a provision](#) that allows individuals the option to take an itemized deduction for state and local sales taxes in lieu of taking a deduction for state and local income taxes. This provision would reduce revenues by

\$3.142 billion over the 2015-2024 period. This provision is particularly valuable in states that do not have an income tax and rely on sales taxes.

### Major Business Provisions

**Research Credit:** Extend through 2014 the [Research and Development \(R&D\) tax credit](#), which allows businesses a 20 percent credit (or a 14 percent alternative simplified credit) for research and development expenses. This provision would reduce revenues by \$7.629 billion over the 2015-2024 period. The House passed [H.R. 4438](#), the American Research and Competitiveness Act of 2014 in May to expand and make the R&D credit permanent.

**Work Opportunity Tax Credit:** Extends through 2014 the [Work Opportunity Tax Credit](#), which provides a credit to employers who hire certain [types of employees](#), including veterans, welfare and food stamp recipients, ex-felons, and summer youth employees. This provision would reduce revenues by \$1.375 billion over the 2015-2024 period.

**15-Year Straight-Line Cost Recovery For Qualified Leasehold Improvements, Qualified Restaurant Buildings And Improvements, And Qualified Retail Improvements:** Extends for 2014 [a provision](#) allowing certain types of investments placed into service for commercial buildings that would otherwise be depreciated over 39 years to be depreciated over 15 years. This provision would reduce revenues by \$2.382 billion over the 2015-2024 period.

**Bonus Depreciation:** Extends [bonus depreciation](#) for property acquired and placed into service in 2014. This provision allows businesses to deduct fifty percent of the cost of equipment in the year it is acquired and placed into service, rather than over a longer time period. This provision would reduce revenues by \$1.492 billion over the 2015-2024 period. The House passed [H.R. 4718](#) in July to modify and make permanent bonus depreciation.

**Increased Expensing Limitations And Treatment Of Certain Real Property As Section 179 Property:** Extends, for property placed into service in 2014, the limitation (\$500,000) and phase-out (\$2 million) amounts that can be expensed. This provision is referred to as [Section 179](#) expensing after its section of the Internal Revenue Code. Under permanent law, the maximum limitation that can be expensed is \$25,000. This provision would reduce revenues by \$1.434 billion over the 2015-2024 period. In June, the House passed [H.R. 4457](#), America's Small Business Tax Relief Act of 2014, to make permanent the increased limitation (\$500,000) and phase-out (\$2 million) amounts.

**Subpart F Exception For Active Financing Income:** Extends through 2014 the exception for [subpart F](#) income tax rules for active financing. This provision allows deferral of income earned by an American corporations conducting financial services abroad. This provision would reduce revenues by \$5.082 billion over the 2015-2024 period.

**Look-Through Treatment Of Payments Between Related Controlled Foreign Corporations Under Foreign Personal Holding Company Rules:** Extends through 2014 [look-through treatment](#) for certain payments between related controlled foreign companies. This provision would reduce revenues by \$1.154 billion over the 2015-2024 period.

**Classification Of Certain Race Horses As 3-Year Property:** Extends through 2014 the three-year [depreciation schedule for race horses](#). Under permanent law, most race horses have a seven year depreciation schedule. This provision would reduce revenues by a negligible amount.

**7-Year Recovery Period For Motorsports Entertainment Complexes:** Extends through 2014 the seven-year depreciation schedule for [motorsports racetracks](#). Under permanent law, motorsports racetracks have a 39-year depreciation schedule. This provision would reduce revenues by \$33 million over the 2015-2024 period.

**Special Expensing Rules For Certain Film And Television Productions:** Extends through 2014 the special expensing rules for [film and television productions](#), which would allow expensing of \$15 million of production costs. This provision would reduce revenues by \$6 million over the 2015-2024 period.

#### Major Energy Provisions

**Incentives For Biodiesel And Renewable Diesel:** Extends through 2014 a \$1 per gallon tax credit for [biodiesel](#) and [diesel fuel created from biomass](#) as well as a ten-cent per gallon credit for [small agri-biodiesel producers](#). This provision would reduce revenues by \$1.297 billion over the 2015-2024 period.

**Credits With Respect To Facilities Producing Energy From Certain Renewable Resources:** Extends through 2014 the [Production Tax Credit \(PTC\)](#) for wind and other renewable energy sources. This provision allows projects that only have begun construction in 2014 to claim the credit instead of being limited to equipment actually placed into service like many other provisions included in H.R. 5771. This provision would reduce revenues by \$9.576 billion over the 2015-2024 period, making it the largest provision in H.R. 5771. It accounts for approximately 21 percent of the bill's reduction in revenues.

Several conservative groups - including Americans for Prosperity, Americans for Tax Reform, Club for Growth, and Heritage Action - [recently wrote](#) to Speaker Boehner and Leader McConnell urging for the expiration of the PTC. The [National Taxpayers Union](#) also opposes the PTC.

#### Other Provisions

**Provisions Regarding Multiemployer Defined Benefit Pension Plans:** Extends through 2015 two provisions regarding underfunded multiemployer pension plans.

**Technical Corrections and Deadwood:** H.R. 5771 makes several changes to the Internal Revenue Code which are characterized as making technical corrections and removing unused parts of existing law.

**Joint Committee on Taxation Review of C Corporation Returns:** Under current law, the Joint Committee on Taxation (JCT) must review a refund or credit over \$2 million before it can be issued by the IRS. H.R. 5771 would increase the threshold for JCT review to refunds in excess of \$5 million in the case of C corporations.

**PAYGO Scorecard:** The budgetary effects of H.R. 5771 would not be entered on the [PAYGO Scorecard](#).

**Additional Background:** [Tax extenders](#) include more than 50 separate tax provisions, many of which have been extended multiple times. For a detailed discussion on tax extenders see the Issue Brief by the Curtis Dubay with the Heritage Foundation available [here](#). In addition, Americans for Tax Reform also published a discussion on tax extenders on their website available [here](#).

The RSC held two staff briefings on tax extenders in 2014. One of these briefings was in conjunction with the Ways and Means Committee, the Heritage Foundation, and the Tax Foundation. The second staff briefing was in conjunction with Americans for Prosperity, Business Roundtable, and the Heritage Foundation.

The House has passed several bills to make pro-growth provisions that businesses and families count on a permanent part of the U.S. tax code. You can see the RSC Legislative Bulletins for those bills below:

- [H.R. 4438](#) - American Research and Competiveness Act of 2014 (making permanent and expanding the R&D tax credit)
- [H.R. 4718](#) - To amend the Internal Revenue Code of 1986 to modify and make permanent bonus depreciation.
- [H.R. 4719](#) - America Gives More Act
- [H.R. 4453](#) - S Corporation Permanent Tax Relief Act of 2014
- [H.R. 4457](#) - America's Small Business Tax Relief Act of 2014
- [H.R. 4935](#) - Child Tax Improvement Act of 2014
- [H.R. 3393](#) - Student and Family Tax Simplification Act

Additionally, the House Ways and Means Committee passed additional bills to make permanent changes to the tax code that were not considered by the House:

- HR 4429 - Permanent Active Financing Exception Act of 2014
- HR 4464 - Permanent CFC Look-Through Act of 2014

Alternatively, the Senate Finance Committee put forward a tax extenders bill ([S. 2260, the EXPIRE Act](#)) that would provide a two-year extension for a majority of the provisions that expired at the end of 2013. However, the Senate failed to act on this or any legislation related to expired tax provisions.

**Committee Action:** H.R. 5771 was introduced on December 1, 2014, and posted on [docs.house.gov](#) at 8:19 pm. The bill was referred to the House Ways and Means Committee, the House Education and the Workforce Committee and the House Budget Committee. The committee took no further action on H.R. 5771.

**Outside Groups:** [Club For Growth](#): **Key Vote No:** “This legislation is mainly a hodge-podge of special interest earmarks in the federal tax code.”

[Americans for Prosperity](#): **Key Vote No:** “urge you to vote NO on H.R. 5771 because it includes a special-interest tax provision to extend the wind production tax credit (PTC).”

[Americans for Tax Reform](#): “This \$45 billion tax hike avoidance package contains both good and bad tax policy.”

[Committee for a Responsible Federal Budget](#): “Debt worsens if tax breaks are not paid for.”

[U.S. Chamber of Commerce](#): “Why Congress Must Finish the Job on Tax Extenders”

**Administration Position:** A Statement of the Administration’s Position is not available at this time.

**Cost to Taxpayers:** According to the [Committee on Ways and Means](#), “the Joint Committee on Taxation (JCT) estimates that the legislation would reduce revenues by \$44.7 billion over the ten-year budget window (fiscal years 2015 through 2024).”

However, it is important to note that enacting this legislation would continue current tax policy for tax year 2014.

**Does the Bill Expand the Size and Scope of the Federal Government?:** No.

**Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?:** No.

**Does the Bill Contain Any Federal Encroachment into State or Local Authority in Potential Violation of the 10<sup>th</sup> Amendment?:** No.

**Does the Bill Delegate Any Legislative Authority to the Executive Branch?:** No.

**Does the Bill Contain Any Earmarks/Limited Tax Benefits/Limited Tariff Benefits?:** No.

**Constitutional Authority:** The Constitutional authority statement is not available at this time.

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