

American Recovery and Reinvestment Act Tax and Finance Provisions

Fiscal Relief for State and Local Governments

Description	House Bill (HR 1)	Senate Bill (S 1)
<p>De minimis safe harbor exception for tax-exempt interest expense for financial institutions: Under current law, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds.</p>	<p>In determining the portion of interest expense that is allocable to investments in tax-exempt municipal bonds, the bill would exclude investments in tax-exempt municipal bonds issued during 2009 and 2010 to the extent that these investments constitute less than two percent of the average adjusted bases of all the assets of the financial institution.</p>	<p>Same as House bill</p>
<p>Modification of small issuer exception to tax-exempt interest expense allocation rules for financial institutions: As described above, financial institutions are not allowed to take a deduction for the portion of their interest expense that is allocable to such institution's investments in tax-exempt municipal bonds. For purposes of this interest disallowance rule, bonds that are issued by a "qualified small issuers" are not taken into account as investments in tax-exempt municipal bonds. Under current law, a "qualified small issuer" is defined as any issuer that reasonably anticipates that the amount of its tax-exempt obligations (other than certain private activity bonds) will not exceed \$10 million.</p>	<p>Increase this dollar threshold to \$30 million when determining whether a tax-exempt obligation issued in 2009 and 2010 qualifies for this small issuer exception</p>	<p>Same as House bill</p>
<p>Eliminate costs imposed on state and local governments by the alternative minimum tax: The alternative minimum tax (AMT) can increase the costs of issuing tax-exempt private activity bonds imposed on State and local governments. Under current law, interest on tax-exempt private activity bonds is generally subject to the AMT. This limits the marketability of these bonds and, therefore, forces State and local governments to issue these bonds at higher interest rates. Last year, Congress excluded one category of private activity bonds (i.e., tax-exempt housing bonds) from the AMT.</p>	<p>Exclude the remaining categories of private activity bonds from the AMT if the bond is issued in 2009 or 2010.</p>	<p>Same as House bill</p>
<p>Qualified school construction bonds: Creation of a new category of tax credit bonds for the construction, rehabilitation, or repair of public school facilities or for the acquisition of land on which a public school facility will be constructed.</p>	<p>There is a national limitation on the amount of qualified school construction bonds that may be issued by State and local governments of \$22 billion (\$11 billion allocated initially in 2009 and the remainder allocated in 2010).</p>	<p>Issue limitation of \$5 billion in 2009 and \$5 billion in 2010.</p>

Description	House Bill (HR 1)	Senate Bill (S 1)
<p>Extension and increase in authorization for qualified zone academy bonds (QZAB): Allow an additional issuing authority to State and local governments in 2009 and 2010, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy, defined as any public school below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit</p>	<p>Increases issuing authority by \$1.4 billion in 2009 and 2010.</p>	<p>Same as House bill</p>
<p>Tax credit bond option for State and local governments: Tax credit bonds differ from tax-exempt bonds in two principal ways: (1) interest paid on tax credit bonds is taxable; and (2) a portion of the interest paid on tax credit bonds takes the form of a Federal tax credit. The Federal tax credit offsets a portion of the cash interest payment that the State or local government would otherwise need to make on the borrowing.</p>	<p>Provide State and local governments with the option of issuing a tax credit bond instead of a tax-exempt governmental obligation bond, thus allowing the State or local government to elect to receive a direct payment from the Federal government equal to the subsidy that would have otherwise been delivered through the Federal tax credit for bonds issued in 2009 and 2010.</p>	<p>Extend the provision to tax credit bonds issued in 2009, 2010, and 2011.</p>
<p>Three percent withholding on government contractors: For payments made after December 31, 2010, current law requires withholding at a three percent rate on payments to persons providing property or services made by Federal, State, and local governments.</p>	<p>Repeals this provision.</p>	<p>Delays implementation of the provision for one year</p>
<p>Recovery Zone Bonds: Each state would receive a share of the national allocation based on that state's job losses in 2008 as a percentage of national job losses in 2008. That allocation would be sub-allocated to local municipalities. Municipalities receiving an allocation of these bonds would be permitted to use these bonds to invest in infrastructure, job training, education, and economic development in areas within the boundaries of the State, city or county (as the case may be) that has significant poverty, unemployment or home foreclosures.</p>	<p>Authorize \$10 billion in recovery zone economic development bonds and \$15 billion in recovery zone facility bonds. These bonds could be issued during 2009 and 2010</p>	<p>Same as House bill</p>
<p>New Markets Tax Credit: The New Markets Tax Credit Program permits taxpayers to receive a credit against Federal income taxes for making qualified equity investments in designated Community Development Entities (CDEs). The qualified equity investment must in turn be used by the CDE to provide investments in low-income communities.</p>	<p>No provisions</p>	<p>Authorize an additional \$1.5 billion for the 2008 allocation round and an additional \$1.5 billion for the 2009 allocation round. Tax credits for 2009 allocations made after the date of enactment would be allowed against the alternative minimum tax.</p>

Description	House Bill (HR 1)	Senate Bill (S 1)
<p>Qualified Energy Conservation Bonds: This new bond program authorizes bonds to finance State, municipal and tribal government programs and initiatives designed to reduce greenhouse gas emissions</p>	<p>Authorizes an additional \$2.4 billion and clarifies that the bonds may be issued to make loans and grants for capital expenditures to implement green community programs.</p>	<p>Same as House bill</p>
<p>Clean Renewable Energy Bonds (CREBs): These bonds finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities.</p> <p>Work Opportunity Tax Credit: This is a federal tax income tax credit of 40 percent of the first \$6,00 in wages paid that private employers may take by hiring from targeted groups such as welfare recipients, food stamps recipients, or youth in qualified vocational programs.</p>	<p>Authorizes \$1.6 billion in new CREBs, with one-third available for qualifying projects of State/local/tribal governments; one-third for qualifying projects of public power providers; and one-third for qualifying projects of electric cooperatives</p> <p>Add homeless and unemployed veterans and disadvantaged youth (age 16-25 and have not been working or attended school for six months) as qualified target groups for the tax credit</p>	<p>Same as House bill</p> <p>Same as House bill</p>