

**LIST OF EXPIRING FEDERAL TAX PROVISIONS
2002-2010**

Prepared by the Staff
of the
JOINT COMMITTEE ON TAXATION



January 7, 2003
JCX-1-03

CONTENTS

	<u>Page</u>
INTRODUCTION.....	1
EXPIRING FEDERAL TAX PROVISIONS, 2002-2010	2
A. Provisions That Expired in 2002.....	2
B. Provisions Expiring in 2003.....	3
C. Provisions Expiring in 2004.....	6
D. Provisions Expiring in 2005.....	7
E. Provisions Expiring in 2006.....	8
F. Provisions Expiring in 2007.....	10
G. Provisions Expiring in 2008.....	11
H. Provisions Expiring in 2009.....	12
I. Provisions Expiring in 2010.....	13

INTRODUCTION

This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a listing of tax provisions (with references to the applicable section of the Internal Revenue Code of 1986 or other applicable law) that expired in 2002 or are currently scheduled to expire in 2003-2010.

¹ This document may be cited as follows: Joint Committee on Taxation, *List of Expiring Federal Tax Provisions, 2002-2010* (JCX-1-03) January 7, 2003.

EXPIRING FEDERAL TAX PROVISIONS, 2002-2010

A. Provisions That Expired in 2002

Provision (Code section) ²	Expiration Date
1. Combined employment tax reporting demonstration project (sec. 976 of the Taxpayer Relief Act of 1997)	8/5/02
2. Special 5-year carryback period for NOLs; NOLs may offset 100 percent of alternative minimum taxable income (sec. 172(b); sec. 56(d))	12/31/02
3. Luxury excise tax on passenger highway automobiles (sec. 4001)	12/31/02

² All references are to the Internal Revenue Code of 1986, as amended, unless otherwise indicated.

B. Provisions Expiring in 2003

Provision (Code section)	Expiration Date
1. Disclosure of return information to carry out income contingent repayment of student loans (sec. 6103(l)(13)(D))	9/30/03
2. IRS user fees for letter rulings, determination letters, advance pricing agreements, and similar requests (sec. 10511 of the Revenue Act of 1987) ³	9/30/03
3. Personal tax credits allowed against regular tax and alternative minimum tax ("AMT") (sec. 26) ⁴	12/31/03
4. Tax credit for electricity production from wind, closed-loop biomass, and poultry waste-- facilities placed in service date (sec. 45)	12/31/03
5. Work opportunity tax credit (sec. 51)	12/31/03
6. Welfare-to-work tax credit (sec. 51A)	12/31/03
7. Deduction for certain expenses of elementary and secondary school teachers (sec. 62(a)(2)(D))	12/31/03
8. Enhanced deduction for corporate contributions of computer equipment for educational purposes (sec. 170(e)(6))	12/31/03

³ Public Law 104-117 (an Act to provide that members of the Armed Forces performing services for the peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone, and for other purposes (March 20, 1996)) extended the statutory authorization for these user fees through September 30, 2003.

⁴ The Economic Growth and Tax Relief Reconciliation Act of 2001 made this provision permanent with respect to the child tax credit and the adoption credit. The provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 sunset after 2010; see Part I., below.

Provision (Code section)	Expiration Date
9. Expensing of “brownfields” environmental remediation costs (sec. 198)	12/31/03
10. Archer medical savings accounts (“MSAs”) (sec. 220)	12/31/03
11. Interest rate used in determining additional required contributions to defined-benefit plans for 2002 & 2003 (sec. 412(l)(7)(C)(i)(III)) ⁵	12/31/03
12. Suspension of 100 percent-of-net-income limitation on percentage depletion for oil and gas from marginal wells (sec. 613A)	12/31/03
13. Reduction in certain deductions of mutual life insurance companies--differential earning rates treated as zero (sec. 809(j))	12/31/03
14. Qualified zone academy bonds (sec. 1397E)	12/31/03
15. Tax incentives for investment in the District of Columbia:	
a. Designation of D.C. enterprise zone; employment tax credit; additional expensing (sec. 1400)	12/31/03
b. Tax-exempt D.C. empowerment zone bonds (sec. 1400A)	12/31/03
c. Zero-percent capital gains rate for investment in D.C. for property acquired by 12/31/03; for gains through 12/31/08 (sec. 1400B)	12/31/03
d. Tax credit for first-time D.C. homebuyers (sec. 1400C)	12/31/03

⁵ A corresponding provision is contained at sec. 302(d)(7)(C)(i)(III) of the Employee Retirement Income Security Act of 1974 (“ERISA”).

Provision (Code section)	Expiration Date
16. New York Liberty Zone: work opportunity tax credit (WOTC) (sec. 1400L(a))	12/31/03
17. Disclosure of return information to inform officials of terrorist activities (sec. 6103(i)(3)(C))	12/31/03
18. Disclosure upon request of information relating to terrorist activities (sec. 6103(i)(7))	12/31/03
19. Temporary increase in limit on cover over of rum excise tax revenues (from \$10.50 to \$13.25 per proof gallon) to Puerto Rico and the Virgin Islands (sec. 7652(f))	12/31/03
20. Joint Committee on Taxation annual report and annual joint hearings on IRS strategic plans (secs. 8021(f)(2) and 8022(3)(C))	12/31/03
21. Tax on failure to comply with mental health parity requirements applicable to group health plans (sec. 9812) ⁶	12/31/03

⁶ Similar provisions are also contained in ERISA and the Public Health Service Act. These provisions also expire in 2003.

C. Provisions Expiring in 2004

Provision (Code section)	Expiration Date
1. Tax credit for research and experimentation expenses (sec. 41)	6/30/04
2. Special depreciation allowance for qualifying property (sec. 168(k))	Property placed in service on or before 12/31/04 ⁷
3. Indian employment tax credit (sec. 45A)	12/31/04
4. Increased alternative minimum tax ("AMT") exemption amount (sec. 55(d)(1))	12/31/04
5. Accelerated depreciation for business property on an Indian reservation (sec. 168(j))	12/31/04
6. New York Liberty Zone: tax exempt bond financing (sec. 1400L(d))	Bonds must be issued before 1/1/05
7. New York Liberty Zone: advance refunding of certain tax exempt bonds (sec. 1400L(e))	Refunding must occur before 1/1/05

⁷ An extension of the placed in service date of one year is provided for certain property with a recovery period of ten years or longer and certain transportation property.

D. Provisions Expiring in 2005

Provision (Code section)	Expiration Date
1. Leaking underground storage tank trust fund excise tax (sec. 4081(d)(3))	3/31/05
2. Aquatic resources trust fund and land and water conservation fund excise tax on motorboat gasoline and special fuels (secs. 4041(a) and 4081(a)(1)) -- all but 4.3 cents per gallon ⁸	9/30/05
3. Highway trust fund excise tax rates:	
a. All but 4.3 cents per gallon of the taxes on highway gasoline, diesel fuel, kerosene, and special motor fuels (secs. 4041(a) and 4081(d)(1)) ⁹	9/30/05
b. Tax on retail sale of heavy highway vehicles (sec. 4051(c))	9/30/05
c. Tax on heavy truck tires (sec. 4071)	9/30/05
d. Annual use tax on heavy highway vehicles (sec. 4481)	9/30/05
4. Puerto Rico economic activity tax credit (sec. 30A)	12/31/05
5. Deduction for qualified tuition and related expenses (sec. 222)	12/31/05
6. Transfer of excess pension assets to retiree health accounts (sec. 420)	12/31/05
7. Puerto Rico and possession tax credit (sec. 936)	12/31/05
8. Authority for undercover operations (sec. 7608(c))	12/31/05

⁸ The 4.3-cents-per-gallon rate is permanent.

⁹ The 4.3-cents-per-gallon rate is permanent.

E. Provisions Expiring in 2006

Provision (Code section)	Expiration Date
1. Credit for elective deferrals and individual retirement arrangement ("IRA") contributions (sec. 25B)	12/31/06
2. Tax credit for qualified electric vehicles (sec. 30)	12/31/06 ¹⁰
3. Deduction for clean-fuel vehicles and refueling property (sec. 179A)	12/31/06 ¹¹
4. Special depreciation rule for certain clean-fuel passenger automobiles (sec. 280F(a)(1)(C))	12/31/06
5. Exceptions under subpart F for active financing income (secs. 953 and 954)	12/31/06
6. New York Liberty Zone: special depreciation allowance (sec. 1400L(b))	Property placed in service on or before 12/31/06 ¹²
7. New York Liberty Zone: 5-year recovery period for depreciation of certain leasehold improvements (sec. 1400L(c))	Property placed in service on or before 12/31/06
8. New York Liberty Zone: increase in expensing under section 179 (sec. 1400L(f))	Property placed in service on or before 12/31/06

¹⁰ The credit phases down for vehicles placed in service after 12/31/03. The credit is reduced by 25 percent in 2004, 50 percent in 2005, and 75 percent in 2006. No credit is available after 2006.

¹¹ The deduction phases down for clean-fuel vehicles placed in service after 12/31/03. The deduction is reduced by 25 percent in 2004, 50 percent in 2005, and 75 percent in 2006. No deduction is allowed for clean-fuel vehicles or refueling property after 2006.

¹² In the case of nonresidential real property or residential rental property, the property must be placed in service on or before 12/31/09.

9. New York Liberty Zone: extension of replacement period for nonrecognition of gain (sec. 1400L(g))

Property placed in service on or before 12/31/06

F. Provisions Expiring in 2007

Provision (Code section)	Expiration Date
1. Airport and airway trust fund excise taxes:	
a. All but 4.3 cents per gallon of taxes on noncommercial aviation jet fuel and noncommercial aviation gasoline (secs. 4041(c), 4081(d), and 4091) ¹³	9/30/07
b. Domestic and international air passenger ticket taxes (sec. 4261)	9/30/07
c. Air cargo tax (sec. 4271)	9/30/07
2. Reduced excise tax rates for alcohol fuels and alcohol fuels mixtures (secs. 4041(b)(2) and (k), 4081(c), and 4091(c))	9/30/07 ¹⁴
3. Alcohol fuels income tax credits (sec. 40)	12/31/07 ¹⁵
4. New markets tax credit (sec. 45D)	12/31/07 ¹⁶
5. FUTA surtax of 0.2 percent (sec. 3301)	12/31/07

¹³ The 4.3-cents-per-gallon rate is permanent.

¹⁴ The reduced rates expire earlier if the tax rate on gasoline and other motor fuels drops to 4.3 cents per gallon, which is currently scheduled to occur after September 30, 2005, unless the Highway Trust Fund tax rates are extended beyond that date.

¹⁵ The income tax credits expire earlier if the tax rate on gasoline and other motor fuels drops to 4.3 cents per gallon, which is currently scheduled to occur after September 30, 2005, unless the Highway Trust Fund tax rates are extended beyond that date.

¹⁶ The new markets tax credit limitation expires on that date.

G. Provisions Expiring in 2008

Provision (Code section)	Expiration Date
1. Disclosure of tax return information for administration of certain veterans programs (sec. 6103(l)(7)(D)(viii))	9/30/08

H. Provisions Expiring in 2009

Provision (Code section)	Expiration Date
1. Empowerment zone tax incentives:	
a. Increased exclusion of gain on sale of empowerment zone stock (sec. 1202)	12/31/09
b. Empowerment zone tax-exempt bonds and employment credit (secs. 1394 and 1396)	12/31/09
c. Increased expensing under sec. 179 (sec. 1397A)	12/31/09
d. Nonrecognition of gain on rollover of empowerment zone investments (sec. 1397B)	12/31/09
2. Renewal community tax incentives:	
a. Zero-percent capital gains (sec. 1400F)	12/31/09
b. Employment credit (sec. 1400H)	12/31/09
c. Commercial revitalization deduction (sec. 1400I)	12/31/09
d. Increased expensing under sec. 179 (sec. 1400J)	12/31/09

I. Provisions Expiring in 2010

Provision (Code section)	Expiration Date
1. All provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 ¹⁷	12/31/10

¹⁷ The sunset applies to all provisions otherwise in effect on the expiration date. Public Law 107-358 repealed the sunset contained in the Economic Growth and Tax Relief Reconciliation Act of 2001 with respect to the exclusion from Federal income tax for restitution received by victims of the Nazi Regime.