

**DESCRIPTION OF CHAIRMAN ARCHER'S AMENDMENT
TO THE REVENUE PROVISIONS OF THE
WAGE AND EMPLOYMENT GROWTH ACT OF 1999
(H.R. 3081)**

Scheduled for Markup before the
House Committee on Ways and Means

on

November 9, 1999

Prepared by the Staff

of the

JOINT COMMITTEE ON TAXATION



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JCX-80-99

INTRODUCTION

This document,¹ prepared by the staff of the Joint Committee on Taxation, provides a description of modifications to the revenue provisions of H.R. 3081, the “Wage and Employment Growth Act of 1999,” contained in an amendment proposed by Chairman Bill Archer. The House Committee on Ways and Means is scheduled to mark up the bill on November 9, 1999.

¹ This document may be cited as follows: Joint Committee on Taxation, *Description of Chairman Archer’s Amendment to the Revenue Provisions of the Wage and Employment Growth Act of 1999 (H.R. 3081)* (JCX-80-99), November 9, 1999.

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TO THE REVENUE PROVISIONS OF THE
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Under Chairman Archer's amendment to the Wage and Employment Growth Act of 1999 (H.R. 3081), the revenue provisions of the bill would be modified as described below.

A. Small Business Provisions

The provision increasing the deduction for business meals to 60 percent (sec. 203 of the bill) would be expanded to apply to all taxpayers, not just small businesses. The effective date of the provision to repeal the special occupational taxes on producers and marketers of alcoholic beverages would be delayed to July 1, 2001. The following provisions would be added to Title II of H.R. 3081:

1. Provide that federal production payments to farmers are taxable in the year received

Under the proposal, any option to accelerate the receipt of any payment under a production flexibility contract which is payable under the Federal Agriculture Improvement and Reform Act of 1996 ("FAIR") Act, as in effect on the date of enactment of the proposal, would be disregarded in determining the taxable year in which such payment is properly included in gross income. Options to accelerate payments that are enacted in the future would be covered by this rule, providing the payment to which they relate is mandated by the FAIR Act as in effect on the date of enactment of this Act.

The proposal would not delay the inclusion of any amount in gross income beyond the taxable period in which the amount is received.

This proposal is identical to the one contained in section 711 of the conference report on H.R. 2488.

Effective date.--The proposal would be effective on the date of enactment.

2. Farmer and fisherman income averaging

The election to average income would be extended to cover income from the trade or business of fishing as well as farming. For this purpose, the trade or business of fishing would include the conduct of commercial fishing as defined in Section 3 of the Magnuson-Stevens Fishery Conservation and Management Act (16 U.S.C. 1802) and would include the trade or business of catching, taking or harvesting fish that are intended to enter commerce through sale, barter or trade.

The proposal would coordinate farmers' and fishermen's income averaging with the

alternative minimum tax. A farmer (or fisherman) electing to average his or her farm (or fishing) income would owe alternative minimum tax only to the extent he or she would have owed alternative minimum tax had averaging not been elected.

This proposal is similar to the one contained in section 805 of the conference report for H.R. 2488, except that the effective date is delayed.

Effective date.--The provision would be effective for taxable years beginning after December 31, 2000.

B. Provisions Relating to Pensions

The provision relating to increases in benefit and contribution limits (sec. 301 of the bill) would be modified to provide that the dollar limit on annual elective deferrals under section 401(k) plans, section 403(b) annuities and salary reduction SEPs would increase in \$1,000 annual increments until the limits reach \$14,000 in 2004. The \$14,000 dollar limit would be indexed in \$500 increments, as under present law. In addition, the dollar limit on deferrals under a section 457 plan would be increased to \$11,000 in 2001, \$12,000 in 2002, \$13,000 in 2003, and \$14,000 in 2004. After 2004, the limit would be indexed in \$500 increments.

The provision relating to catchup contributions for individuals who are age 50 or older to a section 401(k) or similar plan (sec. 321 of the bill) would be modified to provide that the maximum permitted additional contribution would be 10 percent of the otherwise applicable dollar contribution limitation in 2001, and would increase by 10 percentage points until the applicable percent is 40 in 2004 and thereafter.

The effective dates of the provision to repeal a transition rule relating to certain highly compensated employees (sec. 363 of the bill) and the provision to modify the exclusion for employer-provided transit passes (sec. 369 of the bill) would be modified to be effective for years beginning after December 31, 2000, rather than years beginning after December 31, 1999.

The provision relating to notice and consent period regarding distributions (sec. 373 of the bill) would be modified by adding the corresponding changes to the Internal Revenue Code.

C. Extension of Work Opportunity Tax Credit and Welfare-to-Work Tax Credit

The proposal would modify the extension of the work opportunity tax credit and the welfare to work credit tax credit (sec. 401 of the bill) to provide that credits earned by taxpayers for expenditures incurred after June 30, 1999, would not be claimed or taken into account for estimated taxes or otherwise prior to October 1, 2000. The proposal would permit taxpayers to file for expedited refunds after September 30, 2000.

D. Estate, Gift, and Generation-skipping Transfer Tax Relief Provisions

Under the proposal, the effective dates of the generation-skipping transfer (“GST”) tax provisions that pertain to retroactive GST exemption allocation (sec. 521 of the bill), severances of trusts (sec. 522 of the bill), modification of certain valuation rules (sec. 523 of the bill), relief from late elections (sec. 524 of the bill), and substantial compliance (sec. 524 of the bill) would be delayed such that those provisions generally would be effective for transfers subject to the estate and gift tax made after December 31, 1999. The bill also contains a sense of the Congress that death tax relief is considered a first step in the effort to ultimately repeal the estate, gift, and GST taxes (sec. 502 of the bill).

E. Tax Relief for Distressed Communities and Industries

The proposal would permit the designation of 15 renewal communities during the 36-month period following the publication of applicable regulations, instead of limiting such designations to five annually over the same period (sec. 602 of the bill).

The proposal would modify the bill provision relating to the temporary suspension of maximum amount of amortizable reforestation expenditures (sec. 611 of the bill) to make technical changes clarifying that there would be no limitation on the amount eligible for 7-year amortization for taxable years beginning after 2000 and before 2004.

F. Real Estate Provisions

The effective date of the provisions to increase the low-income housing tax credit cap (secs. 701-707 of the bill) would be modified to calendar years beginning after December 31, 2000, rather than December 31, 1999. Thus, the low-income housing tax credit cap would increase from \$1.25 per capita to \$1.65 per capita in four equal steps between 2001 and 2004.

The effective date of the provision to accelerate the scheduled increases in State volume limits on tax-exempt private activity bonds (sec. 761 of the bill) would be modified to provide that the scheduled increases begin to take effect in calendar year 2001, rather than calendar year 2000. Thus, the private activity bond volume cap would phase up to \$70/\$210 million in 2004 in four equal steps. The increase in the private activity bond volume cap to \$75/\$225 million scheduled to occur under present law in 2007 would not be affected.

The provision to exclude from gross income certain forgiven mortgage obligations (sec. 771 of the bill) would be modified to limit the availability of the exclusion to forgiveness with respect to the principal residence of the taxpayer. In addition, the effective date of the provision would be delayed to apply to discharges of indebtedness after December 31, 2000.

G. Miscellaneous Provisions

The following miscellaneous provisions would be deleted: (1) tax credit for modifications to inter-city buses required under the Americans with Disabilities Act of 1990 (sec. 801 of the bill); (2) exclusion from gross income for education benefits provided by an employer to children of employees (sec. 802 of the bill); and (3) tax incentives for qualified United States independent film and television production (sec. 803 of the bill).