Details of Senate Financial Bailout Bill

By CQ Staff

The bill that the Senate passed Wednesday attempts to address the Wall Street financial crisis as well as two issues that have plagued lawmakers for much of the 110th Congress: legislation that would extend expiring tax breaks and limit the alternative minimum tax, and legislation that would require insurers to provide mental health coverage at a level comparable to what they offer for other illnesses.

Financial Rescue Package

• The Treasury would have broad powers to purchase "troubled assets" from financial institutions, defined as mortgages, or mortgage-related securities. The Treasury would decide whether those purchases are done through an auction process or bought directly from a financial firm.

• The Treasury could buy up to $250 billion in assets; subsequent certifications by the Treasury secretary and the president could expand that amount to $700 billion. The government is expected to earn some of its money back once the market for mortgage-backed securities settles down and the Treasury sells the securities back to private holders.

• The Treasury would set up an insurance program for mortgage-backed securities. Financial firms would participate in the program voluntarily, and the Treasury would charge them premiums for the coverage.

• The measure would limit "golden parachutes" for departing executive of firms in which the government acquires a significant equity stake or purchases more than $300 million worth of assets through an auction.

• The government would be required to take an equity stake in companies that participate in the program. Those warrants for taking stock or debt in a company must have terms to protect taxpayers from losses associated with the eventual sale of any assets purchased.

• As the holder of billions of dollars in mortgage loans, the Treasury would create a plan to mitigate foreclosures and encourage servicers of mortgages to modify loans. It would allow the Treasury to use loan guarantees and credit enhancement to avoid foreclosures.

•The legislation calls for an oversight board made up of federal banking regulators. A special inspector general would watch over the program, with a budget of $50 million.

• The legislation would reduce certain tax deductions for participating firms that pay the chief executive officer and other top executives more than $500,000.

• Banks that held or sold stock in Fannie Mae and Freddie Mac could count any losses as ordinary losses against their income. Banks that were encouraged by their regulators to hold Fannie and Freddie stock sought that provision after the government took over the once-private companies.

• The measure would extend a provision enacted last year (PL 110-142) that allows homeowners to avoid paying taxes on debt forgiven as part of a foreclosure or short sale. Under the bill, it would expire Jan. 1, 2013, instead of Jan. 1, 2010.

• If after five years the government has lost money on the program, the president would be required to submit a proposal for recouping the shortfall from firms that benefited from the program.

• The FDIC deposit insurance limit would increase from $100,000 to $250,000 through 2009.

Tax Package

• The legislation would extend or provide tax breaks for producers of renewable energy.

• An AMT patch would prevent 22 million taxpayers from paying a tax originally meant for the wealthy.

• It would extend the optional deduction for state sales taxes, which is valuable to residents of states without income taxes.

• The bill would provide tax relief to victims of recent natural disasters.

Mental Health Parity

• The measure would require parity with regard to co-payments, deductibles, limits on doctor visits, and limits on days of hospitalization, as well as annual and lifetime limits on coverage.

• The legislation would not pre-empt states that have more stringent mental health parity laws.

• The measure would allow for an exemption from federal parity mandates if such mandates increase coverage costs by more than 2 percent in the year after the new requirements take effect or more than 1 percent in subsequent years.

• It would exempt employers with fewer than 50 employees from the bill's requirements.

Source: **CQ Today Print Edition**
Round-the-clock coverage of news from Capitol Hill.

Available at: http://www.cq.com/document/display.do?docid=2968942