Finance Committee Staff Summary
Economic Stimulus Act of 2008
January 31, 2008

I. Individual Tax Provisions

2008 Stimulus Rebate for Individuals. Taxpayers will receive a payment of $500 ($1000 for married filing jointly) if the taxpayer files a tax return for the 2007 tax year as long as the taxpayer reports a tax liability of at least $1 or $3000 in qualifying income, defined as the sum of net self employment income, veterans' disability payments and social security benefits. In addition, an eligible tax filer will receive $300 for every child. The amount of the credit (including both the basic credit and the qualifying child credit) is phased out at a rate of five percent of adjusted gross income beginning at $150,000 ($300,000 in the case of joint returns). The provision denies the basic credit and the qualifying child credit to individuals if the tax return does not include valid identification numbers for all persons listed on the return. A valid identification number is a Social Security Number issued by the Social Security Administration, and does not include a Taxpayer Identification Number issued by the Internal Revenue Service. *This proposal is estimated to cost approximately $115.1 billion in 2008 and $126.4 billion over ten years.*

II. Business Tax Provisions

Elective Expensing (Section 179). In lieu of depreciation, small business taxpayers may elect to expense the cost of qualified assets (property) they purchase in the year when the assets are placed in service, within certain limits. Under section 179, small business taxpayers are allowed to expense $125,000 (indexed for inflation), and the phase-out threshold is $500,000 (indexed for inflation). Currently in 2008, the expensing limit is $128,000 and the phase-out threshold is 510,000. The proposal increases the expensing limit to $250,000 and the phase-out to $800,000 for 2008. The proposal is effective for taxable year 2008. *This proposal is estimated to cost $900 million in 2008 and $100 million over ten years.*

Bonus Depreciation. Generally a trade or business must recover the cost of property over a predetermined period of years. This proposal will allow a trade or business to depreciate an additional 25 percent of the cost of an asset acquired and placed into service in 2008 in that year and another 25 percent in the next year. The types of property eligible for bonus depreciation will be the same as those included in the previous depreciation packages: (1) tangible property that had a recovery period not exceeding 20 years; (2) purchased computer software; (3) water utility property; and (4) qualified leasehold improvement property. The bonus depreciation will be allowed under the alternative minimum tax (AMT). The proposal is effective for calendar year 2008 beginning after the date of first Committee action. *This proposal is estimated to cost $16.4 billion in 2008, $20.2 billion in 2009, and $6.7 billion over ten years.*

Extension of the net operating loss carry back period. The bill would extend the carry back period for net operating losses (NOLs) from two years to 5 years for NOLs arising in any taxable years beginning in 2006, 2007, 2008. NOLs are allowed to offset 100 percent of a taxpayer's alternative minimum taxable income. A taxpayer may elect to use one of the following: net operating loss arising in 2006, 2007, and/or 2008 with a five year carry back period; bonus depreciation; or Sec. 179 expensing. *This proposal is estimated to cost $15 billion in 2008 and $5.1 billion over ten years.*

III. Energy Tax Provisions

Renewable Energy Tax Credit (Section 45). Extends through December 31, 2009 the period during which certain facilities may be placed in service for purposes of the Section 45 credit. *This provision has no cost in 2008 and costs an estimated $3 billion over ten years.*

Energy-Efficient Business Property. Extends for one year the 30 percent business energy credit for purchase of qualified fuel cell power plants for businesses and a 10 percent credit for purchase of qualifying stationary microturbine power plants. The 30 percent credit for purchase of qualifying solar energy property is also extended. Credits apply to periods before January 1, 2010. *This provision has no cost in 2008 and an estimated cost of $100 million over ten years.*

Energy-Efficient Appliances. Extends the tax credit for the production of energy efficient appliances for two years (through December 31, 2009) and readjusts the baseline for the credit. *The proposal is estimated to cost $100 million in 2008 and $300 million over ten years.*

Energy-Efficient Residential Property. Extends for one year a 30 percent credit for purchase for qualified photovoltaic property and solar water heating property used exclusively for purposes other than heating swimming pools and hot tubs. Provision also provides a 30 percent credit for the purchase of qualified fuel cell power plants and applies to property placed prior to January 1, 2010. *This provision has no cost in 2008 and an estimated cost of less than $50 million over ten years.*

Energy-Efficient Existing Homes. Extends the residential property tax credit for two years (through December 31, 2009) for expenditures to improve the energy efficiency of an existing home. *The proposal is estimated to cost $200 million in 2008 and $1.5 billion over ten years.*

Energy-Efficient New Homes. Extends for one year a credit to eligible contractor for construction of a qualified new energy-efficient home. Credit applies to manufactured homes meeting Energy Star Standards and other homes meeting a 50 percent standard. Credit applies to homes which are purchased prior to January 1, 2010. *This provision has no cost in 2008 and an estimated cost of $100 million over ten years.*

Energy-Efficient Commercial Buildings. Extends for one year the deduction for energy efficient commercial buildings that reduce annual energy and power consumption by 50 percent compared to the American Society of Heating, Refrigerating, and Air Conditioning Engineers (ASHRAE) standard. *This provision has no cost in 2008 and an estimated cost of $200 million over ten years.*

Clean Renewable Energy Bonds (CREBs). Adds $400 million to CREBs, defined as bonds issued by qualified issuers if, in addition to other requirements, 95 percent of proceeds are used to finance capital expenditures incurred for facilities qualifying for tax credit under section 45. Qualified issuers include governmental bodies (including Indian tribal governments) and mutual or cooperative electric companies. Provision is effective for bonds issued after December 31, 2008. *This provision is estimated to cost less than $50 million in 2008 and $200 million over ten years.*

Percentage Depletion for Marginal Wells. Extends suspension on the taxable income limit for purposes of depreciating a marginal oil or gas well through 2009. *The proposal is estimated to cost $100 million in 2008 and $200 million over ten years.*

Refund for Improperly Collected Coal Excise Taxes. The proposal allows coal producers and exporters to claim a refund for excise taxes unconstitutionally imposed on coal exported from the United States. *The proposal is estimated to cost $300 million in 2008 and $100 million over ten years.*

IV. Other Provisions

Extension of Unemployment Insurance Benefits. The bill extends the number of weeks that unemployed workers can receive unemployment benefits by an additional 13 weeks with an extra 13 weeks for unemployed workers in high unemployment states. *This proposal is estimated to cost approximately $10.1 billion in 2008 and $9.9 billion over ten years.*

Expansion of Mortgage Revenue Bonds. The proposal provides an additional $10 billion of tax-exempt private activity bond authority to be used to refinance subprime loans, provide mortgages for first-time homebuyers, and for multifamily rental housing. The proposal also exempts interest earned on the bonds from the alternative minimum tax. *The proposal is estimated to cost less than $50 million in 2008 and $1.7 billion over ten years.*