



Memorandum

October 31, 2002

TO: Honorable Carolyn Maloney
Attention: Ben Chevat

FROM: Steven Maguire
Analyst in Public Finance
Government and Finance Division

SUBJECT: Liberty Zone Tax Benefits

This memorandum responds to your request for background information on the federal revenue loss estimates for the tax benefits in the “Liberty Zone” bill. The legislation that authorized the tax benefits for the so-called liberty zone in New York City was H.R. 3090, the “Job Creation and Worker Assistance Act of 2002,” (P.L. 107-147). The legislation passed the House on March 7, 2002 and was signed by the President on March 9, 2002. I assume H.R. 3090 is the “Liberty Zone” bill that you referred to in your request.

Your primary concern is the difference between revenue loss estimates released on March 6 for H.R. 3090 (the “Liberty Zone” bill) by the Joint Committee on Taxation (JCT) and the revenue loss estimate released on March 7, 2002 by the Office of Management and Budget (OMB) for the President’s proposed Liberty Zone Tax Package. The package endorsed by the President, H.R. 3529, was introduced in the House by Representative Bill Thomas on December 19, 2001. The two tax packages, H.R. 3090 and H.R. 3529, though similar, are not exactly the same, hence the different revenue estimates.

According to JCT, the estimated budget effect of the “Tax Benefits for Area of New York Damaged in Terrorist Attacks on September 11, 2001” portion of H.R. 3090 was a reduction in revenue of \$5.029 billion over the 2002-2012 estimating window.¹ The legislation endorsed by the President and introduced in the House on December 19, 2001, the “Economic Security and Worker Assistance Act of 2001” (H.R. 3529), would have authorized a package of tax benefits for New York City similar to those in H.R. 3090. H.R. 3529 passed the House on December 20, 2001. The legislation was not taken up in the

¹ Joint Committee on Taxation, *Estimated Revenue Effects of the “Job Creation and Worker Assistance Act of 2002,”* (JCX-13-02), March 6, 2002, p. 2.

Senate. The JCT estimated that H.R. 3529 would have resulted in a revenue loss of \$5.481 billion over the 2002-2011 estimating window.²

A March 7, 2002 announcement from OMB (the Administration) titled “President’s \$21.4 Billion New York Funding Package” included a line item identified as a proposed “Liberty Zone Tax Package.” The tax package would have authorized the issuance of tax-exempt bonds and other tax incentives for New York City at a federal revenue cost of \$5.5 billion.³ That cost would appear to reflect the December 19, 2001 JCT revenue loss estimate for H.R. 3529. If so, it is possible the Administration chose the JCT estimate for the provisions in H.R. 3529 and not the revenue loss estimate for the more recent (at the time) H.R. 3090 because the President supported the earlier H.R. 3529.

More recently, on September 10, 2002, OMB released information on the federal government expenditures related to the September 11, 2001 attacks.⁴ That press release includes the following line item under the section titled “New York: \$5 billion for Liberty Zone financing package.” It is possible this expenditure is likely in reference to the New York related tax provisions in H.R. 3090, the “Job Creation and Worker Assistance Act of 2002,” (P.L. 107-147), which the President signed into law on March 9, 2002.

I hope this information is helpful. If you have any questions about this memorandum, please call me on extension 7-7841.

² Joint Committee on Taxation, *Estimated Budget Effects of the Revenue Provisions of the “Economic Security and Worker Assistance Act of 2001,”* (JCX-92-01), Dec. 19, 2001, p. 3. The comparison of revenue estimates should be for the same estimating window. If 2012 was not included in the estimate for H.R. 3090, the revenue loss would have been \$4.898 billion.

³ OMB press release, March 7, 2002.

⁴ OMB, “OMB Releases Updated Summary of Government Expenditures Directly Related to September 11th Attacks,” no. 2002-61, Sept. 10, 2002.