H.R. 6049
Renewable Energy and Job Creation Act of 2008

May 19, 2008

Summary: H.R. 6049, the *Renewable Energy and Job Creation Act of 2008*, will provide approximately $18 billion of tax incentives for investment in renewable energy, carbon capture and sequestration demonstration projects, energy efficiency and conservation. The bill will also extends $27 billion of expiring temporary tax provisions, including the research and development credit, special rules for active financing income, the State and local sales tax deduction, the deduction for out-of-pocket expenses for teachers, and the deduction for qualified tuition expenses. In addition, the bill provides almost $10 billion of additional tax relief for individuals through an expansion of the refundable child tax credit and a new standard deduction for property taxes. The bill would be primarily offset by closing a tax loophole that allows individuals that work for certain offshore corporations, such as hedge fund managers, to defer tax on their compensation and would delay the effective date of a tax benefit that has not yet taken effect for multinational corporations operating overseas.

ENERGY TAX INCENTIVES

I. ENERGY PRODUCTION INCENTIVES

Renewable Energy Incentives

Long-term extension and modification of renewable energy production tax credit. The bill extends the placed-in-service date for wind facilities for one year (through December 31, 2009). The bill would also extend the placed-in-service date for three years (through December 31, 2011) for certain other qualifying facilities: closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; and waste-to-energy facilities. The bill also includes a new category of qualifying facilities that will benefit from the longer December 31, 2011 placed-in-service date -- facilities that generate electricity from marine renewables (e.g., waves and tides). The bill would cap the aggregate amount of tax credits that can be earned for these qualifying facilities placed in service after December 31, 2009 to an amount that has a present value equal to 35% of the facility's cost. The bill clarifies the availability of the production tax credit with respect to certain sales of electricity to regulated public utilities and updates the definition of an open-loop biomass facility, the definition of a waste-to-energy facility, and the definition of a nonhydroelectric dam. *This proposal is estimated to cost $7.046 billion over ten years.*

Long-term extension and modification of solar energy and fuel cell investment tax credit. The bill extends the 30% investment tax credit for solar energy property and qualified fuel cell property and the 10% investment tax credit for microturbines for six years (through the end of 2014). It also increases the $500 per half kilowatt of capacity cap for qualified fuel cells to $1,500 per half kilowatt of capacity. The bill removes an existing limitation that prevents public utilities from claiming the investment tax credit. The bill would also provide a new 10% investment tax credit for combined heat and power systems. The bill also allows these credits to be used to offset alternative minimum tax (AMT). *This proposal is estimated to cost $1.376 billion over 10 years.*

Long-term extension and modification of the residential energy-efficient property credit. The bill would extend the credit for residential solar property for six years (through the end of 2014). The bill would also increase the annual credit cap (currently capped at $2,000) to $4,000. The bill would include residential small wind equipment and geothermal heat pumps as property qualifying for this credit. The bill also allows the credit to be used to offset alternative minimum tax (AMT). *This proposal is estimated to cost approximately $666 million over ten years.*

Sales of electric transmission property. The bill extends the present-law deferral of gain on sales of transmission property by vertically integrated electric utilities to FERC-approved independent transmission companies. Rather than recognizing the full amount of gain in the year of sale, this provision allows gain on such sales to be recognized ratably over an 8-year period. The rule applies to sales before January 1, 2010. *This proposal is revenue neutral over 10 years.*

New Clean Renewable Energy Bonds ("CREBs"). The bill authorizes $2 billion of new clean renewable energy bonds to finance facilities that generate electricity from the following resources: wind; closed-loop biomass; open-loop biomass; geothermal; small irrigation; hydropower; landfill gas; marine renewable; and trash combustion facilities. This $2 billion authorization will be subdivided into thirds: 1/3 will be available for qualifying projects of State/local/tribal governments; 1/3 for qualifying projects of public power providers; and 1/3 for qualifying projects of electric cooperatives. *This proposal is estimated to cost $548 million over 10 years.*

Carbon Mitigation Provisions

Carbon capture and sequestration (CCS) demonstration projects. The bill would provide $1.5 billion of tax credits for the creation of advanced coal electricity projects and certain coal gasification projects that demonstrate the greatest potential for carbon capture and sequestration (CCS) technology. Of these $1.5 billion of incentives, $1.25 billion would be awarded to advanced coal electricity projects and $250 million would be awarded to certain coal gasification projects. These tax credits would be awarded by Treasury through an application process, with the applicants that demonstrate the greatest carbon capture and sequestration percentage of total

CO_2 emissions receiving the highest priority. Applications will not be considered unless applicants can demonstrate that either their advanced coal electricity project would capture and sequester at least 65% of the facility's carbon dioxide emissions or that their coal gasification project would capture and sequester at least 75% of the facility's carbon dioxide emissions. Once these credits are awarded, recipients that fail to meet these minimum levels of carbon capture and sequestration would forfeit these tax credits. *This proposal is estimated to cost $1.422 billion over 10 years.*

Refund of certain coal excise taxes unconstitutionally collected from exporters. The Courts have determined that the Export Clause of the U.S. Constitution prevents the imposition of the coal excise tax on exported coal and, therefore, taxes collected on such exported coal are subject to a claim for refund. The bill would create a new procedure under which certain coal producers and exporters may claim a refund of these excise taxes that were imposed on coal exported from the United States. Under this procedure, coal producers or exporters that exported coal during the period beginning on or after October 1, 1990 and ending on or before the date of enactment of the bill, may obtain a refund (plus interest) from the Treasury of excise taxes paid on such exported coal and any interest accrued from the date of overpayment. *This proposal is estimated to cost $199 million over 10 years.*

Solvency for the Black Lung Disability Trust Fund. The bill would enact the President's proposal to bring the Black Lung Disability Trust Fund out of debt. Under current law, an excise tax is imposed on coal at a rate of $1.10 per ton for coal from underground mines and $0.55 per ton for coal from surface mines (aggregate tax per ton capped at 4.4 percent of the amount sold by the producer). Receipts from this tax are deposited in the Black Lung Disability Trust Fund, which is used to pay compensation, medical and survivor benefits to eligible miners and their survivors and to cover costs of program administration. The Trust Fund is permitted to borrow from the general fund any amounts necessary to make authorized expenditures if excise tax receipts do not provide sufficient funding. Reduced rates of excise tax apply after the earlier of December 31, 2013 or the date on which the Black Lung Disability Trust Fund has repaid, with interest, all amounts borrowed from the general fund of the Treasury. The President's Budget proposes that the current excise tax rate should continue to apply beyond 2013 until all amounts borrowed from the general fund of the Treasury have been repaid with interest. After repayment, the reduced excise tax rates of $0.50 per ton for coal from underground mines and $0.25 per ton for coal from surface mines would apply (aggregate tax per ton capped at 2 percent of the amount sold by the producer). The bill would enact the President's proposal. *This proposal is estimated to raise $1.287 billion over 10 years.*

Carbon audit of the tax code. The bill directs the Secretary of the Treasury to request that the National Academy of Sciences undertake a comprehensive review of the tax code to identify the types of specific tax provisions that have the largest effects on carbon and other greenhouse gas emissions and to estimate the magnitude of those effects. *This proposal has no revenue effect.*

II. TRANSPORTATION AND DOMESTIC FUEL SECURITY

Expansion of allowance for property to produce cellulosic alcohol. Under current law, taxpayers are allowed to immediately write off 50% of the cost of facilities that produce cellulosic ethanol if such facilities are placed in service before January 1, 2013. Consistent with other provisions in the bill that seek to be technology neutral, the bill would allow this write off to be available for the production of other cellulosic biofuels in addition to cellulosic ethanol. *This proposal is estimated to be revenue neutral over 10 years.*

Extension of biodiesel production tax credit; extension and modification of renewable diesel tax credit. The bill extends for one year (through December 31, 2009) the $1.00 per gallon production tax credits for biodiesel and the small biodiesel producer credit of 10 cents per gallon. The bill also extends for one year (through December 31, 2009) the $1.00 per gallon production tax credit for diesel fuel created from biomass. The bill eliminates the current-law disparity in credit for biodiesel and agri-biodiesel and eliminates the requirement that renewable diesel fuel must be produced using a thermal depolymerization process. As a result, the credit will be available for any diesel fuel created from biomass without regard to the process used so long as the fuel is usable as home heating oil, as a fuel in vehicles, or as aviation jet fuel. The bill also clarifies that the $1 per gallon production credit for renewable diesel is limited to diesel fuel that is produced solely from biomass. Diesel fuel that is created by co-processing biomass with other feedstocks (e.g., petroleum) will be eligible for the 50 cent per gallon tax credit for alternative fuels. *This proposal is estimated to cost $456 million over 10 years.*

Plug-in electric drive vehicle credit. The bill establishes a new credit for each qualified plug-in electric drive vehicle placed in service during each taxable year by a taxpayer. The base amount of the credit is $3,000. If the qualified vehicle draws propulsion from a battery with at least 5 kilowatt hours of capacity, the credit amount is increased by $200, plus another $200 for each kilowatt hour of battery capacity in excess of 5 kilowatt hours up to 15 kilowatt hours. Taxpayers may claim the full amount of the allowable credit up to the end of the first calendar quarter after the quarter in which the manufacturer records 60,000 sales. The credit is reduced in following calendar quarters. The credit is available against the alternative minimum tax (AMT). *This proposal is estimated to cost $1.056 billion over 10 years.*

Incentives for idling reduction units and advanced insulation for heavy trucks. The bill provides an exemption from the heavy vehicle excise tax for the cost of idling reduction units, such as auxiliary power units (APUs), which are designed to eliminate the need for truck engine idling (e.g., to provide heating, air conditioning, or electricity) at vehicle rest stops or other temporary parking locations. The bill would also exempt the installation of advanced insulation, which can reduce the need for energy consumption by transportation vehicles carrying refrigerated cargo. Both of these exemptions are intended to reduce carbon emissions in the transportation sector. *This proposal is estimated to cost $96 million over 10 years.*

Restructuring of New York Liberty Zone tax credits. The bill would implement a proposal included in the President's FY 2009 Budget to provide the City of New York and the State of New York with tax credits for expenditures made for transportation infrastructure projects connecting with the New York Liberty Zone. *This proposal is estimated to cost $1.117 billion over 10 years.*

Fringe benefit for bicycle commuters. The bill allows employers to provide employees that commute to work using a bicycle limited fringe benefits to offset the costs of such commuting (e.g., bicycle storage). *This proposal is estimated to cost $10 million over 10 years.*

Extension and increase of alternative refueling stations tax credit. The bill increases the 30% alternative refueling property credit (capped at $30,000) to 50% (capped at $50,000). The credit provides a tax credit to businesses (e.g., gas stations) that install alternative fuel pumps, such as fuel pumps that dispense E85 fuel. The bill also extends this credit through the end of 2010. *This proposal is estimated to cost $156 million over ten years.*

III. Energy Conservation and Efficiency

Qualified Energy Conservation Bonds. The bill creates a new category of tax credit bonds to finance State and local government programs and initiatives designed to reduce greenhouse gas emissions. There is a national limitation of $3 billion which is allocated to States, municipalities and tribal governments. *This proposal is estimated to cost $1.027 billion over 10 years.*

Extension and modification of credit for energy-efficiency improvements to existing homes. The bill extends the tax credits for energy-efficient existing homes for one year (through December 31, 2008) and includes energy-efficient biomass fuel stoves as a new class of energy-efficient property eligible for a consumer tax credit of $300. *This proposal is estimated to cost $1.061 billion over 10 years.*

Extension of energy-efficient commercial buildings. The bill extends the energy-efficient commercial buildings deduction for five years (through December 31, 2013). *This proposal is estimated to cost $891 million over 10 years.*

Modification and extension of energy-efficient appliance credit. The bill would modify the existing energy-efficient appliance credit and extend this credit for three years (through the end of 2010). *This proposal is estimated to cost $323 million over 10 years.*

Accelerated depreciation for smart meters and smart grid systems. The bill would provide accelerated depreciation for smart electric meters and smart electric grid systems. Under current law, taxpayers are generally able to recover the cost of this property over the course of 20 years. The bill would cut the cost recovery time in half by allowing taxpayers to recover the cost of this property over a 10-year period. *This proposal is estimated to cost $921 million over 10 years*.

Extension and modification of qualified green building and sustainable design project bond. The bill would extend the authority to issue qualified green building and sustainable design project bonds through the end of 2012. Authority to issues these bonds is currently set to expire on September 30, 2009. The bill would also clarify the application of the reserve account rules to multiple bond issuances. *This proposal is estimated to cost $45 million over 10 years.*

EXTENSION OF TEMPORARY TAX PROVISIONS

I. EXTENDERS PRIMARILY AFFECTING INDIVIDUALS

Extension of the deduction of State and local general sales taxes. The bill extends for one year (through 2008) the election to take an itemized deduction for State and local general sales taxes in lieu of the itemized deduction permitted for State and local income taxes. *This proposal is estimated to cost $1.742 billion over 10 years.*

Extension of above-the-line deduction for qualified tuition and related expenses. The bill extends the above-the-line tax deduction for qualified education expenses for one year (through 2008). For tax year 2007, the maximum deduction was $4,000 for taxpayers with AGI of $65,000 or less ($130,000 for joint returns) or $2,000 for taxpayers with AGI of $80,000 or less ($160,000 for joint returns). *This proposal is estimated to cost $2.603 billion over 10 years.*

Extension of special rules for regulated investment companies. The bill would for one year (through 2008) extend the tax treatment of interest-related dividends, short-term capital gain dividends, and other special rules applicable to foreign shareholders that invest in regulated investment companies. *This proposal is estimated to cost $81 million over 10 years.*

Extension of tax-free distributions from individual retirement plans for charitable purposes The bill would extend for one year (through 2008) the provision that permits tax-free charitable contributions from an Individual Retirement Account (IRA) of up to $100,000 per taxpayer, per taxable year. *This proposal is estimated to cost $465 million over 10 years.*

Extension of above-the-line deduction for certain expenses of elementary and secondary school teachers. The bill extends for one year the $250 above-the-line tax deduction for teachers and other school professionals for expenses paid or incurred for books, supplies (other than non-athletic supplies for courses of instruction in health or physical education, computer equipment (including related software and services), other equipment, and supplementary materials used by the educator in the classroom for one year (i.e., to expenses paid or incurred in 2008). *This proposal is estimated to cost $204 million over 10 years.*

Extension of election to include combat pay in earned income for purposes of the earned income credit. The bill extends for one year (through 2008) the special rules that allow members of the armed services to include their combat pay in their earned income in order to qualify for the earned income tax credit. *This proposal is estimated to cost $20 million over 10 years.*

Extension of special rules for qualified mortgage bonds for veterans. The bill extends for one year (through 2008) the special rules that allows veterans to qualify for State-operated, tax-exempt mortgage revenue bond programs to provide lower-income individuals with access to mortgages with lower interest costs without regard to first-time home buyer requirement. *This proposal is estimated to cost $158 million over 10 years.*

Extension of special rules for distributions from retirement plans to individuals called to active duty. The bill extends for one year (through 2008) special rules that permit active duty reservists to make penalty-free withdrawals from retirement plans. *This proposal is estimated to cost less than $500,000 over 10 years.*

Reinstate the exclusion of amounts received under qualified group legal services plans. The bill reinstates for one year (through 2008) a provision that allows individuals to exclude certain amounts received under qualified group legal services plans from income. *This proposal is estimated to cost $40 million over 10 years.*

II. EXTENDERS PRIMARILY AFFECTING BUSINESSES

Extension of R&D credit. The bill extends the research credit for one year (through 2008). *This proposal is estimated to cost $8.761 billion over 10 years.*

Extension of Indian employment credit. The bill extends for one year (through 2008) the business tax credit for employers of qualified employees that work and live on or near an Indian reservation. The credit is for wages and health insurance costs paid to qualified employees (up to $20,000) in the current year over the amount paid in 1993. Wages for which the work opportunity tax credit is available are not qualified wages for the Indian employment tax credit. *This proposal is estimated to cost $59 million over 10 years.*

Extension of New Markets Tax Credit. The bill extends for one year (through 2009) the new markets tax credit, permitting a $3.5 billion maximum annual amount of qualified equity investments. *This proposal is estimated to cost $1.315 billion over 10 years.*

Extension of railroad track maintenance credit. The bill extends for one year (through 2008) the railroad track maintenance credit. The railroad track maintenance credit provides Class II and Class III railroads (e.g., short-line railroads) with a tax credit equal to 50 percent of gross expenditures for maintaining railroad tracks that they own or lease. *This proposal is estimated to cost $165 million over 10 years.*

Extension of 15-year straight-line cost recovery for qualified leasehold improvements and qualified restaurant improvements. The bill would extend for one year (through 2008) the special 15-year cost recovery period for certain leasehold and qualified restaurant improvements. Absent an extension of this provision, the cost recovery period for these facilities would be 39 years. *This proposal is estimated to cost $5.399 billion over 10 years.*

Extension of 7-year straight-line cost recovery period for motorsports entertainment complexes. The bill would extend for one year (through 2008) the special 7-year cost recovery period for property used for land improvement and support facilities at motorsports entertainment complexes. Absent an extension of this provision, the cost recovery period for these facilities would be 15 years. *This proposal is estimated to cost $48 million over 10 years.*

Extension of accelerated depreciation for business property on an Indian reservation. The bill would extend for one year (through 2008) the placed-in-service date for the special depreciation recovery period for qualified Indian reservation property. In general, qualified Indian reservation property is property used predominantly in the active conduct of a trade or business within an Indian reservation, which is not used outside the reservation on a regular basis and was not acquired from a related person. *This proposal is estimated to cost $152 million over 10 years.*

Extension of expensing of "brownfields" environmental remediation costs. The bill would extend for one year (through 2008) the provision that allows for the expensing of costs associated with cleaning up hazardous ("brownfield") sites. *This proposal is estimated to cost $178 million over 10 years.*

Extension of deduction allowable with respect to income attributable to domestic production activities in Puerto Rico. The bill would extend for one year (through 2008) the provision extending the section 199 domestic production activities deduction to activities in Puerto Rico. *This proposal is estimated to cost $116 million over 10 years.*

Extension of special tax treatment of certain payments to controlling exempt organizations. The bill would extend for one year (through 2008) the special rules for interest, rents, royalties and annuities received by a tax exempt entity from a controlled entity. *This proposal is estimated to cost $35 million over 10 years.*

Reauthorization of Qualified Zone Academy Bonds (QZABs). The bill allows an additional $400,000,000 of QZAB issuing authority to State and local governments, which can be used to finance renovations, equipment purchases, developing course material, and training teachers and personnel at a qualified zone academy. In general, a qualified zone academy is any public school (or academic program within a public school) below college level that is located in an empowerment zone or enterprise community and is designed to cooperate with businesses to enhance the academic curriculum and increase graduation and employment rates. QZABs are a form of tax credit bonds which offer the holder a Federal tax credit instead of interest. The bill would improve the marketability of these bonds by modifying the current-law arbitrage restrictions. *This proposal is estimated to cost $202 million over 10 years.*

Extension of tax incentives for investment in the District of Columbia. The bill extends the designation of certain economically depressed census tracts within the District of Columbia as the District of Columbia Enterprise Zone. Businesses and individual residents within this enterprise zone are eligible for special tax incentives. The bill would also extend the $5,000 first-time homebuyer credit for the District of Columbia. The bill would extend both of these provisions for one year (through 2008). *This proposal is estimated to cost $129 million over 10 years.*

Extension of American Samoa economic development credit. The bill extends for one year (through 2008) the American Samoa economic development credit. In general, this credit provides certain domestic corporations operating in American Samoa with a possessions tax credit to offset their U.S. tax liability on income earned in American Samoa from active business operations, sales of assets used in a business, or certain investments in American Samoa. *This proposal is estimated to cost $16 million over 10 years.*

Extension of enhanced charitable deduction for contributions of food inventory. The bill would extend for one year (through 2008) the provision allowing businesses to claim an enhanced deduction for the contribution of food inventory. *This proposal is estimated to cost $71 million over 10 years.*

Enhanced charitable deduction for contributions of book inventories to public schools. The bill would extend for one year (through 2008) the provision allowing C corporations to claim an enhanced deduction for contributions of book inventory to public schools (kindergarten through grade 12). *This proposal is estimated to cost $31 million over 10 years.*

Extension of enhanced deduction for corporate contributions of computer equipment for educational purposes. The bill would extend for one year (through 2008) a provision that encourages businesses to contribute computer equipment and software to elementary, secondary, and post-secondary schools by allowing an enhanced deduction for such contributions. *This proposal is estimated to cost $260 million over 10 years.*

Extension of special rule for S corporations making charitable contributions of property. The bill would extend for one year (through 2008) the provision allowing S corporation shareholders to take into account their pro rata share of charitable deductions even if such deductions would exceed such shareholder's adjusted basis in the S corporation. The bill would also make a technical correction clarifying the application of this provision. *This proposal is estimated to cost $62 million over 10 years.*

Extension of work opportunity tax credit for Hurricane Katrina employees. The bill would extend for one year (through 2008) the provision that expired in August of 2007 which allowed employers to claim the work opportunity tax credit for hiring employees who were affected by Hurricane Katrina. *This proposal is estimated to cost $16 million over 10 years.*

Extension of active financing exception. The bill extends the active financing exception from Subpart F of the tax code for one year (through 2009). *This proposal is estimated to cost $3.970 billion over 10 years.*

Extend look-through treatment of payments between related controlled foreign corporations. The bill extends the current law look-through treatment of payments between related controlled foreign corporations for one year (through 2009). *This proposal is estimated to cost $611 million over 10 years.*

Extend special expensing rules for certain film and television productions. The bill would extend the current law special expensing rules for U.S. film and television productions for one year (through 2009). *This proposal is estimated to cost $10 million over 10 years.*

III. OTHER EXTENDERS

Extension of disclosures of certain tax return information. The bill would permanently extend the current-law terrorist activity disclosure provisions and the authority for purposes of coordination with the Department of Veterans Affairs. *This proposal estimated to have no revenue effect.*

Extension of authority for undercover operations. The bill would permanently extend the authorization for the IRS to engage in certain activities related to undercover operations, such as purchasing property, organizing business entities and use the proceeds from an undercover operation to pay additional expenses incurred in the undercover operation. *This proposal is estimated to have a negligible revenue effect.*

Extension of temporary increase in limit on cover over of run excise tax revenues to Puerto Rico and the Virgin islands. The bill extends for one year the provision providing for payment of $13.25 per gallon to cover over a $13.50 per proof gallon excise tax on distilled spirits produced in or imported into the United States. *This proposal is estimated to cost $96 million over 10 years.*

Extension of tax on failure to comply with mental health parity requirements applicable to group health plans. The bill extends on a prospective basis through the end of 2008 the $100 per day excise tax on group health plans that impose limits on mental health benefits that are not imposed on medical and surgical benefits. *This proposal is estimated to cost $25 million over 10 years.*

ADDITIONAL TAX RELIEF

I. INDIVIDUAL TAX RELIEF

Additional standard deduction for real property taxes. The bill would provide an additional standard deduction for State and local real property taxes paid or accrued by taxpayers who claim the regular standard deduction. The maximum amount that may be claimed under this provision is $700 for joint filers and $350 for individuals. This proposal applies only for 2008. *This proposal is estimated to cost $1.174 billion over 10 years.*

Change in refundable child credit. The bill would increase the eligibility for the refundable child tax credit in 2008. The child tax credit is refundable to the extent of 15 percent of the taxpayer's earned income in excess of approximately $12,050 as a result of inflation adjustments to the original floor of $10,000. The bill would reduce this floor to $8,500 for 2008. *This proposal is estimated to cost $3.129 billion over 10 years.*

Extension and modification of AMT credit allowance against incentive stock options (ISOs). Exercise of an ISO is a preference in the individual minimum tax. The amount of the preference is the difference between the market price on the date of exercise and the option price. In the past, many individuals exercised these options and there were dramatic reductions in the value of the stock after exercise. These individuals found that their minimum tax liability far exceeded any gain from the exercise of the option. The bill would waive past underpayments and would guarantee that minimum tax actually paid on the exercise of these options would be returned to the taxpayer. *This proposal is estimated to cost $2.291 billion over 10 years.*

II. BUSINESS-RELATED PROVISIONS

Uniform treatment of attorney-advanced expenses and court costs in contingency fee cases. Under current law, the tax treatment of attorney-advanced expenses and court costs in contingency fee cases depends on whether the contingency fee is structured as a "net" fee (i.e., the attorney's compensation is based on a percentage of the gross recovery in the litigation net of the advanced litigation costs) or as a "gross" fee (i.e., the attorney's compensation is based on a percantage of the gross recovery without regard to the amount of advanced litigation costs). Where the contingency fee is structured as a "gross" fee, the attorney is allowed to take a current deduction for advanced litigation costs as they are paid. Where the contingency fee is structured as a "net" fee, the attorney is not allowed to take a current deduction for advanced litigation costs. The bill would conform the tax treatment of "net" fee arrangements to the tax treatment of "gross" fee arrangements by allowing all advanced litigation costs to be deducted currently by the attorney. *This proposal is estimated to cost $1.572 billion over 10 years.*

Provisions related to film and television productions. Under current law, taxpayers have not been able to take full advantage of tax incentives that are intended to encourage film and television companies to produce films here in the United States rather than overseas because of a number of technical issues. The bill would fix these issues. *This proposal is estimated to cost $468 million over 10 years.*

Modification of penalty on understatement of taxpayer's liability by tax return preparer. The bill would conform the penalty standards for return preparers with the standards for taxpayers. For undisclosed positions, the penalty standard for return preparers is reduced to substantial authority. For disclosed positions, a return preparer generally must have a reasonable basis for the position. For positions involving tax shelters and certain reportable transactions, a return preparer must have a reasonable belief that the position would more likely than not be sustained on the merits. *This proposal is estimated to cost $22 million over ten years.*

III. EXTENSION AND EXPANSION OF CERTAIN GO ZONE INCENTIVES

Extension and Expansion of Certain Gulf Opportunity (GO) Zone Incentives. The bill would allow taxpayers in affected GO Zone areas to amend prior returns to take into account receipt of hurricane-related recovery grants, waive the start-construction deadline for certain property eligible for bonus deprecation in the GO Zone, and allow projects in two additional counties in Alabama to qualify for tax-exempt bond financing. *This provision is estimated to cost $1.333 billion over ten years.*

REVENUE PROVISIONS

Current inclusion of deferred compensation paid by certain tax indifferent parties. The bill would tax individuals on a current basis if such individuals receive deferred compensation from a tax indifferent party. Current law generally allows executives and other employees to defer paying tax on compensation until the compensation is paid. This deferral is made possible by rules that require the corporation paying the deferred compensation to defer the deduction that relates to this compensation until the compensation is paid. Matching the timing of the deduction with the income inclusion ensures that the executive is not able to achieve the tax benefits of deferred compensation at the expense of the Treasury. Instead, the corporation paying the compensation bears the expense of paying deferred compensation as a result of the deferred deduction. Where an individual is paid deferred compensation by a tax indifferent party (such as an offshore corporation in a tax haven jurisdiction), there is no offsetting deduction that can be deferred. As a result, individuals receiving deferred compensation from a tax indifferent party are able to achieve the tax benefits of deferred compensation at the expense of the Treasury. *This proposal is estimated to raise $24.289 billion over 10 years.*

Delay implementation of worldwide allocation of interest. In 2004, Congress provided taxpayers with an election to take advantage of a liberalized rule for allocating interest expense between United States sources and foreign sources for purposes of determining a taxpayer's foreign tax credit limitation. Although enacted in 2004, this election is not available to taxpayers until taxable years beginning after 2008. The bill would delay the phase-in of this new liberalized rule for ten years (for taxable years beginning after 2018). *This proposal is estimated to raise $29.962 billion over 10 years.*